United States Department of State

Performance and Accountability Highlights

Fiscal Year 2004
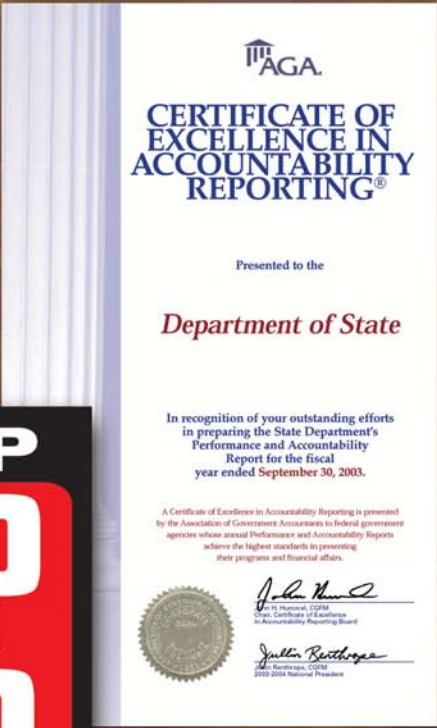
SECURITY

DEMOCRACY

PROSPERITY

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AGA.

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UNITED STATES DEPARTMENT OF STATE

MISSION AND VALUES

MISSION

Create a more secure, democratic, and prosperous world for the benefit of the American people and the international community.

VALUES

LOYALTY
Commitment to the United States and the American people.

CHARACTER
Maintenance of high ethical standards and integrity.

SERVICE
Excellence in the formulation of policy and management practices with room for creative dissent. Implementation of policy and management practices, regardless of personal views.

ACCOUNTABILITY
Responsibility for achieving United States foreign policy goals while meeting the highest performance standards.

COMMUNITY
Dedication to teamwork, professionalism, and the customer perspective.

MESSAGE FROM THE SECRETARY

I am pleased to present the Department of State's Performance and Accountability Highlights for Fiscal Year 2004. Along with our audited financial statements, this report highlights the continued improvement and effectiveness of our efforts to advance President Bush's foreign policy agenda and achieve the institutional objectives I set for the Department of State.

The Department of State's mission is to help President Bush shape a world of peace, freedom and hope where tyrants and terrorists cannot thrive.

To help build a secure world, the dedicated men and women of the State Department are working to strengthen our alliances and build partnerships across the globe to meet the challenges of the 21st century. American diplomacy remains essential to America's continued leadership of the worldwide campaign against terrorism, and our diplomatic efforts are crucial to the success of international reconstruction and democracy-building efforts in Afghanistan and Iraq. We also are working with friends and former foes to stem the proliferation of weapons of mass destruction and bring peaceful ends to regional conflicts.

The State Department is at the forefront of U.S. efforts worldwide to promote respect for human rights, the rule of law and democratic government and to stop trafficking in persons. We have made dramatic early progress towards meeting the ambitious five-year goals of the President's Emergency Plan for AIDS Relief: to support lifesaving drug treatment for 2 million people, prevent 7 million new infections, and support care for 10 million men, women and children infected and affected by HIV/AIDS.

We are working closely with international financial institutions, businesses and non-governmental groups to build a vigorous world economic system. We have been instrumental in getting President Bush's innovative Millennium Challenge Corporation initiative up and running – a major incentive for poor countries to pursue pro-growth policies that can lift their people out of poverty.

To convey America's message to the world, we continue to develop a wide array of public diplomacy programs that engage younger and broader foreign audiences and acquaint them with our policies and with democratic and free market principles.

Every day, the men and women of the State Department assist and protect our fellow citizens. Our embassies and consulates aid Americans abroad who are victims of crime or are in need of help. We also are increasing the capacity of foreign governments to prevent drug traffickers and other criminals from harming Americans and others. And as the first line of defense of our homeland's security, we are improving the process for identifying suspected terrorists to keep them from obtaining visas to enter the United States.

In performing these vital duties and more, we have been effective and accountable stewards of the taxpayer's money. For the eighth year in a row, independent auditors have issued an unqualified ("clean") opinion on our financial statements. I am proud to provide an unqualified statement of assurance as required under the Federal Managers' Financial Integrity Act (FMFIA) that the Department's management controls and financial systems meet the objectives of FMFIA. The financial and performance data presented herein are complete and reliable in keeping with guidance from the Office of Management and Budget and the Reports Consolidation Act. In the few instances where information is not provided, we have included specific reasons why.

With the support of President Bush and broad bipartisan backing from the U.S. Congress, the State Department has continued to focus on building institutional capacity in three key areas: human resources, information technology, and embassy construction and security. We must maintain this focus in the years ahead, so that the men and women of American diplomacy have the training, tools and infrastructure they need to serve our country safely and successfully across the globe.

Colin L. Powell
Secretary of State

MESSAGE FROM THE ASSISTANT SECRETARY

AND CHIEF FINANCIAL OFFICER

The Department of State operates in approximately 260 locations in 172 countries. One hundred and eighty missions abroad submit business plans each year to the Bureau of Resource Management, while thousands of financial professionals around the globe allocate, obligate, disburse, and account for billions of dollars in annual appropriations. We deal in over 150 currencies and even more languages and cultures. In short, no corporation has the depth and variety of challenges that the men and women of the Department face daily as we work to create a more secure, democratic, and prosperous world, for the benefit of the American people and the international community.

Despite these many challenges, the Department pursues a commitment to integrity, transparency, and accountability that is the equal of any multi-national corporation and exceeds most. The quality of our past Performance and Accountability Reports has been recognized by the Association of Government Accountants (AGA) and the Mercatus Center at George Mason University.

Four years ago, the President of the United States challenged his administration to meet new rigorous standards for the issuance of financial statements. Promulgating these months after the close of the fiscal year was no longer acceptable. All agencies were required to do so just 45 days after the end of the fiscal year. Timeliness alone, however, was not enough. President Bush also set the goal for the elimination of all material weaknesses, full compliance with the Federal Managers' Financial Integrity Act (FMFIA) and Federal Financial Management Improvement Act (FFMIA), and attestation, by agency heads, to the integrity of the financial statements. Finally, the President established his five-point President's Management Agenda (PMA) that measured progress on these and other goals with a stop light grading system.

For the eighth year in a row, the Department has earned an unqualified opinion from our independent auditors. For the third year in a row, the Department has won the most prestigious award in federal financial and performance reporting — AGA's Certificate of Excellence in Accountability Reporting. For the second year in a row, the Department has no material weaknesses, and also for the second year, Secretary of State Powell has been able to issue an unqualified Statement of Assurance under FMFIA on both the Department's management controls and its financial systems. In addition, the Department has made enormous strides in meeting the goals of the PMA, particularly in budget and performance integration, management of human capital, and E-Government initiatives, recognized by "double green" on the OMB scorecard for each of these critical Presidential initiatives. Finally, the Department has met the accelerated reporting date of November 15, which is months earlier than previous years.

All of the above, as well as the performance results and information presented along with the financial statements, could not have been accomplished without the superb efforts of the the men and women of the Department. Whether laboring to bring good health and prosperity to a West African village, negotiating confidence-building measures in a regional conflict, or aiding American citizens as they seek a safe and honest environment in which to travel, work, or conduct business, the Department also provides to the American people the confidence that their government is investing their taxpayer dollars with total commitment to stewardship and fiduciary responsibility.

Christopher B. Burnham
Assistant Secretary for Resource Management and Chief Financial Officer
November 15, 2004

ABOUT THIS REPORT

This *Performance and Accountability Highlights* provides an overview of the "most important" performance and financial information published in the Department of State's *Performance and Accountability Report for Fiscal Year 2004.* The *Performance and Accountability Highlights* and *Performance and Accountability Report for Fiscal Year 2004* provide information that enables the public, Congress, and the President the ability to assess the performance of the Department relative to its mission and for stewardship of the resources entrusted to it.

The *Performance and Accountability Report for Fiscal Year 2004* is provided in its entirety on the CD-ROM enclosed at the back cover of this Highlights document.

DEPARTMENT OF STATE HISTORY

WHY IS IT CALLED THE DEPARTMENT OF STATE?

On September 15, 1789, Congress passed "An Act to provide for the safekeeping of the Acts, Records, and Seal of the United States, and for other purposes." This law changed the name of the Department of Foreign Affairs to the Department of State because certain domestic duties were assigned to the agency.

These included:

- Receipt, publication, distribution, and preservation of the laws of the United States;
- Preparation, sealing, and recording of the commissions of Presidential appointees;
- Preparation and authentication of copies of records and authentication of copies under the Department's seal;
- Custody of the Great Seal of the United States;
- Custody of the records of the former Secretary of the Continental Congress, except for those of the Treasury and War Departments.

Other domestic duties that the Department was responsible for at various times included issuance of patents on inventions, publication of the census returns, management of the mint, control of copyrights, and regulation of immigration. Most domestic functions have been transferred to other agencies. Those that remain in the Department are: preparation and authentication of copies of records and authentication of copies under the Department's seal, storage and use of the Great Seal, performance of protocol functions for the White House, drafting of certain Presidential proclamations, and replies to public inquiries.

WHO WAS THE FIRST U.S. DIPLOMAT?

Benjamin Franklin was the first U.S. diplomat. He was appointed on September 26, 1776 as part of a commission charged with gaining French support for American independence. He was appointed Minister to France on September 14, 1778 and presented his credentials on March 23, 1779, becoming the first American diplomat to be received by a foreign government. Franklin was one of three Commissioners who negotiated the peace treaty with Great Britain, and continued to serve in France until May 17, 1785.

MISSION AND ORGANIZATION

MISSION

Create a more secure, democratic, and prosperous world for the benefit of the American people and the international community.

American diplomacy in the 21st century is based on fundamental beliefs: our freedom is best protected by ensuring that others are free; our prosperity depends on the prosperity of others; and our security relies on a global effort to secure the rights of all. The history of the American people is the chronicle of our efforts to live up to our ideals. In this moment in history, we recognize that the United States has an immense responsibility to use its power constructively to advance security, democracy, and prosperity around the globe.

Diplomacy is an instrument of power. It is essential for maintaining effective international relationships, and a principal means by which the United States defends its interests, responds to crises, and achieves its foreign policy goals. The Department of State is the lead institution for the conduct of American diplomacy; its mission is based on the Secretary of State's role as the President's principal foreign policy advisor.

OUR ORGANIZATION

Organizational Structure in Washington, DC

At its headquarters in Washington, DC, the Department's mission is carried out through six regional bureaus, each of which is responsible for a specific geographic region of the world, the Bureau of International Organization Affairs, and numerous functional and management bureaus. These bureaus provide policy guidance, program management, administrative support, and in-depth expertise in matters such as law enforcement, economics, the environment, intelligence, arms control, human rights, counternarcotics, counterterrorism, public diplomacy, humanitarian assistance, security, nonproliferation, consular services, and other areas.

Organizational Structure at Embassies

In each Embassy, the Chief of Mission (usually an Ambassador) is responsible for executing U.S. foreign policy goals and coordinating and managing all U.S. Government functions in the host country. The President appoints each Ambassador, whom the Senate confirms. Chiefs of Mission report directly to the President through the Secretary. The Diplomatic Mission is also the primary U.S. Government contact for Americans overseas and foreign nationals of the host country. The Mission serves the needs of Americans traveling and working abroad, and supports Presidential and Congressional delegations visiting the country. The Department operates approximately 260 embassies, consulates, and other posts worldwide.

Other Key Locations and Offices

The Department also operates national passport centers in Portsmouth, New Hampshire and Charleston, South Carolina; a national visa center in Portsmouth, New Hampshire, and a consular center in Williamsburg, Kentucky; two foreign press centers; one reception center; 13 passport agencies; five offices that provide logistics support for overseas operations; 20 security offices; and two financial service centers.

OUR PEOPLE

President Bush swears in a new class of diplomats.

The Department of State's greatest asset is its people. The Department is a multi-faceted team with embassies, consulates, and other posts in over 260 locations, committed to carrying out the President's foreign policy agenda and to sharing American values with the world. The Department's workforce consists of employees in the Civil Service, Foreign Service, and Foreign Service Nationals. Freedom, democracy, prosperity, and peace have a place in every nation. The Department of State represents these values and the American people. We carry out our mission through our people and a whole host of activities, from international peace treaties and formal trade agreements to cultural exchanges that capture the American spirit in action.

WHAT WE DO — IN THE WORDS OF OUR PEOPLE

"I negotiated for more than a year with fifteen governments to wrap up the post-war Tripartitite Gold Commission, which had been restoring bank gold looted by the Nazis, and convert its remaining holdings into a $60 million international relief fund for aging Holocaust survivors."

"I helped negotiate an 'Open Skies' civil aviation treaty with Italy that brought millions of dollars of new business to U.S. airlines every week, lowered prices for passengers, and brought more flights to choose from."

"In Africa, I overcame logistical challenges arranging a Presidential visit, managed human resources, developed budgets, served as a contracting officer, flew observer missions over the Sinai, tracked human rights abuses, and determined citizenship of children born to U.S. citizens overseas."

State Department Spokesperson Richard Boucher at the podium.

OUR PEOPLE — FAST FACTS

The Department of State trains its employees in more than 60 different languages in Washington, D.C. and at four overseas schools for Arabic, Chinese, Korean, and Japanese.

27 Fulbright Program alumni (a Department of State administered program) from 7 countries are recipients of the Nobel Prize for their contributions to humanity in the fields of chemistry, economics, medicine, and physics.
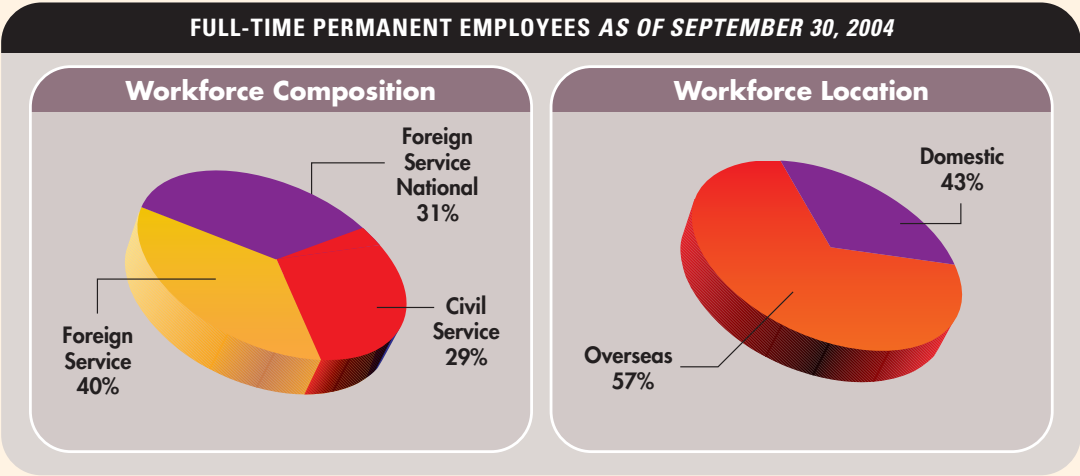

Six Secretaries of State became President of the United States: Thomas Jefferson, James Madison, James Monroe, John Q. Adams, Martin van Buren, and James Buchanan.
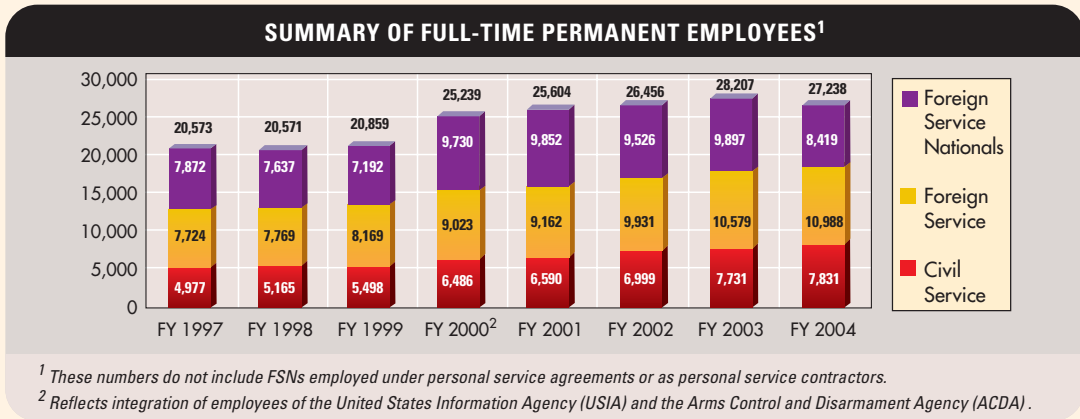
EMPLOYEE COMPOSITION AND NUMBERS

The pie charts below show the distribution of the Department's workforce by employment category, as well as what proportion of the workforce is located overseas.

FULL-TIME PERMANENT EMPLOYEES *AS OF SEPTEMBER 30, 2004*

Workforce Composition

Foreign Service National 31%

Civil Service 29%

Foreign Service 40%

Workforce Location

Domestic 43%

Overseas 57%

Since FY 1997, the total number of employees at the Department has increased by 32% with the greatest increase manifested in the Department's Civil Service staff, which has increased by 57%. The Foreign Service staff follows with a 42% increase, while the Foreign Service National staff increased by 7%. The overall increases in staff reflect the Department's increased emphasis in the areas of security, public diplomacy, counterterrorism, and management reforms.

SUMMARY OF FULL-TIME PERMANENT EMPLOYEES[1]

	FY 1997	FY 1998	FY 1999	FY 2000[2]	FY 2001	FY 2002	FY 2003	FY 2004
Total	20,573	20,571	20,859	25,239	25,604	26,456	28,207	27,238
Foreign Service Nationals	7,872	7,637	7,192	9,730	9,852	9,526	9,897	8,419
Foreign Service	7,724	7,769	8,169	9,023	9,162	9,931	10,579	10,988
Civil Service	4,977	5,165	5,498	6,486	6,590	6,999	7,731	7,831

[1] These numbers do not include FSNs employed under personal service agreements or as personal service contractors.

[2] Reflects integration of employees of the United States Information Agency (USIA) and the Arms Control and Disarmament Agency (ACDA).

WHERE WE ARE LOCATED

As shown in the Appendix, the Department's embassies, consulates, and passport/visa centers are located throughout the world in support of America's foreign policy goals and to assist Americans traveling abroad.

PERFORMANCE SUMMARY AND HIGHLIGHTS

KEY FOREIGN POLICY ACHIEVEMENTS

> *"The security of our world is found in the advancing rights of mankind."*
>
> *President Bush*
> *UN General Assembly, New York, New York*
> *September 21, 2004*

In FY 2004, the U.S. Department of State made significant progress in fulfilling the President's objectives outlined in the National Security Strategy. The Department's efforts enhanced the security of the American people by promoting human dignity, democracy, and economic prosperity throughout the world.

The United States led vigorous and successful efforts to counter the threats of terrorism and WMD proliferation. With the Department's assistance, more than sixty nations endorsed the President's Proliferation Security Initiative (PSI). With the passage of UN Resolution 1540, the international community as a whole affirmed the President's call to criminalize WMD trafficking. Steady American and British diplomacy led Libya to renounce and verifiably eliminate its WMD programs. The United States rolled up the A.Q. Khan proliferation network, which was responsible for the spread of nuclear technology from Pakistan to Iran, Libya, and North Korea. With our partners and allies, the Department confronted Iran and North Korea on their nuclear programs.

President Bush addresses the Veterans of Foreign Wars Convention at the Cinergy Center in Cincinatti, Ohio. © AP/Wide World Photos

The Department efforts promoted fundamental political, economic and educational reforms in the Middle East, producing some landmark achievements. In June, Iraqi sovereignty was transferred to the Iraqi people, and in August the National Conference paved the way for elections in early 2005 as part of our steadfast committment to Iraq's democratic transition. American efforts to resolve the Arab-Israeli conflict continued, with the Department pressing the performance-based Road Map, which would lead to two states, Israel and Palestine, living side-by-side in peace and security. Building on the momentum generated by the Middle East Partnership Initiative (MEPI) and its efforts to expand economic, political and educational opportunities in the region, the United States led the G-8 in adopting the Broader Middle East and North Africa Initiative (BMENA). With its centerpiece the Forum for the Future, this innovative, multilateral initiative will advance freedom, democracy, education and economic reform.

In South Asia, the United States continued its operations against the remnants of the Taliban and al Qaeda. The United States has spent significant funds on the reconstruction of Afghanistan, while ensuring that women participate in the country's democratization. Over the course of the year the United States supported the rapprochement between India and Pakistan, improving American bilateral relations with each country. U.S.-India relations were transformed by the Next Steps in Strategic Partnership (NSSP). America's partnership with Pakistan deepened as a result of the recent designation of Pakistan as a Major Non-NATO Ally.

In East Asia, the United States continued to enhance relations with its five alliance partners—Japan, South Korea, Australia, Thailand, and the Philippines—as well as its robust security partnership with Singapore. We expanded coordination and joint action with China, most notably on regional and global issues such as North Korea, Afghanistan, South Asia, and in common efforts against terrorism, narcotics, and other transnational threats. Indicative of its commitment to regional dialogue and multilateral engagement in East Asia, three rounds were held in 2003-2004 of the six-party framework talks to bring about the total, verifiable, and irreversible disarmament of North Korea's nuclear programs. The shared threat of terrorism produced closer cooperation between the United States and the nations of Southeast Asia.

In Europe, the Bush Administration oversaw the most robust enlargement in the history of NATO. Seven new members joined the Alliance, bringing membership to twenty-six and continuing the process of adapting NATO to the challenges of the 21st century. NATO continued its vital role in the reconstruction of Afghanistan. The Alliance also agreed to a training mission in Iraq. When the EU expanded by ten states, the Department led American efforts to broaden our relationship with the enlarged EU. The partnership between the United States and Russia produced cooperation on issues such as the global war on terror. With Russia's support for the Proliferation Security Initiative, announced earlier this year, U.S.-Russia cooperation and intelligence sharing will extend to WMD trafficking as well. United States assistance and support to the new government in Georgia helped quickly stabilize this key Caucasus country.

The United States remains committed to peace and stability in Africa. In working to end the bloody twenty-year civil war in Sudan, the Department galvanized the international community against genocide in Darfur. In helping Liberia recover from years of civil war, the Department focused on humanitarian assistance, security sector reform, good governance and financial sector support, as well as disarmament, demobilization, reintegration and rehabilitation programs. The Trans-Sahara Counter Terrorism Initiative (TSCTI) is evidence the United States is working closely with African partner states to address mutual security concerns.

Economic development and democracy promotion remained key priorities for the United States in Latin America. This year the Department helped conclude the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA). Negotiations on a U.S.-Andean Free Trade Agreement (FTA) were launched with Peru, Ecuador, and Colombia, and bilateral FTA negotiations began with Panama. The United States advanced global economic growth by securing a framework agreement to conclude the World Trade Organization (WTO) Doha Development Round. FTAs were also concluded with Australia, Bahrain, and Morocco, and FTA negotiations were launched with Thailand.

Realizing the President's pledge to provide greater resources to countries taking greater responsibility for their own development, the Department played a key role in supporting the establishment of the new Millennium Challenge Corporation (MCC), which promotes good policy environments, economic growth, and poverty reduction in some of the world's poorest countries. With the Secretary in his role as chairman, the MCC Board designated sixteen countries eligible for Millennium Challenge Account (MCA) assistance and established a Threshold program to help additional countries adopt reforms and become eligible.

Demonstrating its multilateral leadership in humanitarian issues, the United States remains the largest contributor to the World Food Program and to the international fight against HIV/AIDs. The President's Emergency Plan for AIDS Relief (PEPFAR) picked up speed with the creation of the new Office of the Global AIDS Coordinator.

The United States bolstered its commitment to peacekeeping, with the adoption of the Action Plan on Expanding Global Capability for Peace Support and by joining the G-8 in promising to train 75,000 peace support troops by 2010. The Department established the Office of the Coordinator for Reconstruction and Stabilization to help societies transition from conflict to peace, laying the foundation for lasting peace, good governance, and sustainable development.

PERFORMANCE MANAGEMENT - A LEADERSHIP PRIORITY

The Department uses strategic and performance planning to ensure the organization achieves its objectives and goals, and is committed to utilizing the funds it receives from the American people through the Congress to produce successful results. Under the strong leadership of the Secretary and Deputy Secretary, the Department continues to implement organizational innovations. The State Department and USAID have issued a joint Strategic Plan that governs the planning efforts for both agencies for fiscal years 2004-2009. This historic Strategic Plan utilizes a strategic goal framework that better captures and articulates the Department's high priority goals and objectives. Guided by the Strategic Plan, the planning and resource allocation process receives the personal attention of the Deputy Secretary on an ongoing basis as he leads senior level Policy, Performance, and Resource Reviews of all bureau performance and resource plans. Another significant organizational improvement has been the creation of joint State/USAID policy and management councils as recommended in the Strategic Plan. The Secretary's leadership in establishing these councils is ensuring the alignment of foreign policy and development assistance, and is improving the necessary management and organizational coordination and collaboration between the two agencies.

The Department's ongoing performance management process is driven by senior leadership direction and coordination. Each year, the Department's diplomatic missions and Washington-based bureaus submit Mission Performance Plans (MPPs) and Bureau Performance Plans (BPPs) respectively that describe their policy and program goals, priorities and resource requirements, and evaluate performance. In FY 2004, the Department expanded the functionality of the MPP and BPP process, providing missions, bureaus, and senior officials the benefit of software applications that better support decision-making. During FY 2004, the Department fully integrated and institutionalized OMB's Program Assessment Rating Tool (PART) into the Department's budget and planning processes. The integration enables State to systematically track PART Findings and Recommendations and has resulted in a number of management actions that address program/performance deficiencies.

For the first time, State and USAID developed a Joint Performance Plan for FY 2006, which further promotes the alignment of U.S. foreign policy and development assistance. The annual Performance and Accountability Report demonstrates how well the Department performed in meeting the goals and targets described in the Joint Performance Plan component of the Budget. The graphic at right shows the relationship between the key components of the performance landscape.
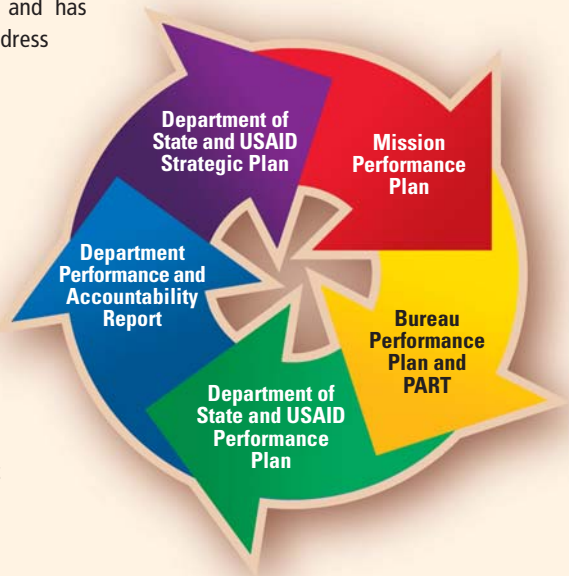
The Department's planning documents available to the public can be found on the State Department website as follows:

■ FY 2004 Performance and Accountability Report: *http://www.state.gov/m/rm/rls/perfrpt/*

■ FY 2004-2009 State/USAID Strategic Plan: *http://www.state.gov/m/rm/rls/dosstrat/2004/*

■ FY 2004 Performance Plan: *http://www.state.gov/m/rm/rls/perfplan/2004/*

■ FY 2005 Performance Summary: *http://www.state.gov/m/rm/rls/perfplan/2005/*

The Department welcomes public comments on this report. Comments should be sent to U.S. Department of State, Office of Strategic and Performance Planning, 2201 C Street, NW, Washington, DC 20520. Telephone: (202) 647-0300.

HOW WE ASSESS PERFORMANCE

Six-Tiered Performance Measurement Methodology

The Department is committed to utilizing the funds it receives from taxpayers through the Congress to produce successful results. To assess performance, the Department employs a *performance management methodology* depicted in the pyramid below. Each of the components of the pyramid is defined below:
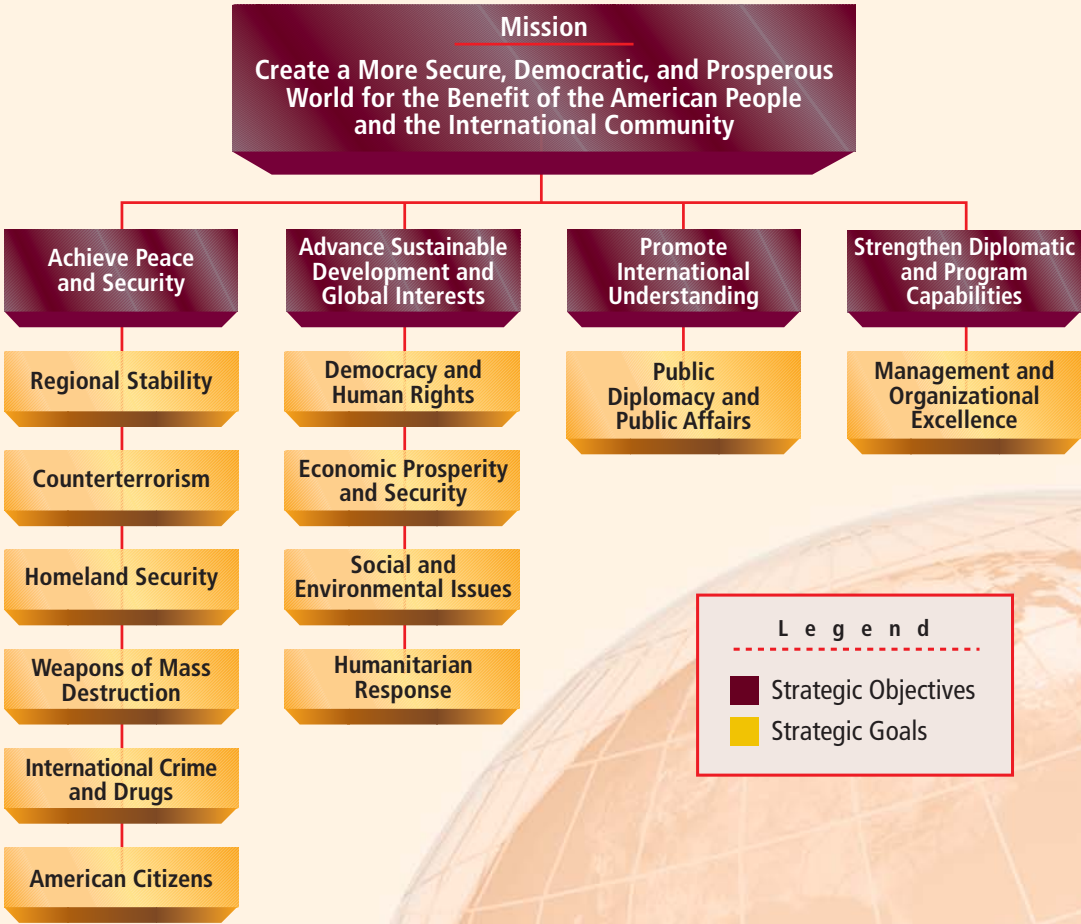
Strategic Objectives High-level, broad categories of action through which the Department carries out its strategic and performance goals.

Strategic Goals The Department's twelve long-term goals as detailed in the Strategic Plan.

Performance Goals The desired outcomes the Department is planning to achieve in order to attain its strategic goals. The Department has thirty-eight performance goals.

Initiatives/Programs Specific functional and/or policy areas, including programs as defined by the OMB Program Assessment Rating Tool (PART), which contribute to the achievement of performance and strategic goals, and to which the Department devotes significant attention. Initiatives/Programs (I/Ps) provide greater clarity and better linkage in terms of how specific performance indicators and targets relate to given policies or functions.

Performance Indicators Values or characteristics that the Department utilizes to measure progress achieved towards stated annual performance goals. The indicators are drawn from bureau and mission performance plans.

Performance Targets Expressions of desired performance levels or specific desired results targeted for a given fiscal year. Achievement of targets defines success. Where possible, targets are expressed in quantifiable terms. The FY 2004 Performance and Accountability Report reports on how well the Department achieved its FY 2004 targets.

Performance Management Model

STRATEGIC PLANNING FRAMEWORK

Strategic Objectives and Strategic Goals

Within the parameters of the *performance management methodology* shown on the previous page, the Department focuses its work around twelve strategic goals that capture both the breadth of its mission and its specific responsibilities. As depicted below, the Department's twelve strategic goals are centered around four core strategic objectives.

Mission

Create a More Secure, Democratic, and Prosperous World for the Benefit of the American People and the International Community

Achieve Peace and Security	Advance Sustainable Development and Global Interests	Promote International Understanding	Strengthen Diplomatic and Program Capabilities
Regional Stability	Democracy and Human Rights	Public Diplomacy and Public Affairs	Management and Organizational Excellence
Counterterrorism	Economic Prosperity and Security		
Homeland Security	Social and Environmental Issues		
Weapons of Mass Destruction	Humanitarian Response		
International Crime and Drugs			
American Citizens			

Legend

■ Strategic Objectives
■ Strategic Goals

DEPARTMENT OF STATE STRATEGIC OBJECTIVES

AND STRATEGIC GOALS

STRATEGIC OBJECTIVE #1
ACHIEVE PEACE AND SECURITY

Strategic Goal Title	Strategic Goal Description
Regional Stability	Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States.
Counterterrorism	Prevent attacks against the United States, our allies, and our friends, and strengthen alliances and international arrangements to defeat global terrorism.
Homeland Security	Protect the homeland by enhancing the security of our borders and infrastructure.
Weapons of Mass Destruction	Reduce the threat of weapons of mass destruction to the United States, our allies, and our friends.
International Crime and Drugs	Minimize the impact of international crime and illegal drugs on the United States and its citizens.
American Citizens	Assist American citizens to travel, conduct business, and live abroad securely.

STRATEGIC OBJECTIVE #2
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS

Strategic Goal Title	Strategic Goal Description
Democracy and Human Rights	Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom.
Economic Prosperity and Security	Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation.
Social and Environmental Issues	Improve health, education, environment, and other conditions for the global population.
Humanitarian Response	Minimize the human costs of displacement, conflicts, and natural disasters.

STRATEGIC OBJECTIVE #3
PROMOTE INTERNATIONAL UNDERSTANDING

Strategic Goal Title	Strategic Goal Description
Public Diplomacy and Public Affairs	Increase understanding for American values, policies, and initiatives to create a receptive international environment.

STRATEGIC OBJECTIVE #4
STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES

Strategic Goal Title	Strategic Goal Description
Management and Organizational Excellence	Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

During FY 2004, the Department responded on many levels to the many challenges the United States is facing. Highlights of the most important results and continuing challenges are shown below by Strategic Goal.

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES	
Positive Results	Continuing Challenges
REGIONAL STABILITY	
◆ Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia joined NATO, expanding the alliance to twenty-six member states. The new members will be able to improve their military capabilities and cooperation with international security issues, including the Global War on Terrorism. ◆ Bilateral relations between rival nuclear powers India and Pakistan improved in FY 2004, including improved dialogue and the implementation of confidence-building measures. ◆ China hosted and facilitated Six-Party talks between the U.S. and North Korea. China's ongoing efforts have been key to North Korea agreeing to future rounds of discussion. A China that increasingly shares our commitment to world peace and stability, open markets and cooperation on pressing global issues better serves our interests. ◆ The United States, France, Chile, as well as other Western Hemisphere countries sent troops and supplies under the auspices of the Multinational Interim Force (MIF) to restore order and improve humanitarian conditions in Haiti after political turmoil and social chaos rendered it ungovernable. Argentina, Uruguay, Bolivia, and Chile, participants in the U.S.–led effort, have each been recipients of the Department's Enhanced International Peacekeeping Capabilities Initiative (EIPC) training in recent years.	◆ Lead international efforts to assist Iraq in creating the environment necessary for elections in January 2005, continued economic reconstruction, and improved social conditions. ◆ Maintain the focus of our allies and partners in combating terrorists, and build momentum for political, social, and economic change in the greater Middle East, including Afghanistan. ◆ Work with the Quartet, the Israelis, and the Palestinians to resume negotiations and progress on the roadmap for peace and a two-state solution. ◆ Encourage a meaningful upgrade in the military capabilities of new and longstanding NATO allies to strengthen NATO's ability to deter, prevent, and respond to international terrorist threats and other twenty-first century conflicts. ◆ Transform EIPC program to focus on developing regional peacekeeping capabilities instead of country-based programs. Improved training of peacekeeping forces worldwide reduces the demands placed on U.S. forces for regional peacekeeping operations. ◆ Persuade China to increase its coordination with the USG and like-minded states on North Korea's complete elimination of its nuclear programs. Press China to resume cross-Strait dialogue, promote confidence-building measures, and reduce its military threat posture with regard to Taiwan.
COUNTERTERRORISM	
◆ The Foreign Emergency Support Team (FEST) was deployed to Athens, Greece in support of counterterrorism security arrangements for the Athens Summer Olympic Games and contributed to the successful, safe completion of the games. ◆ The Technical Support Working Group (TSWG) completed work on and fielded several technical innovations designed to prevent terrorist attacks and protect lives. These include the first-ever, standoff detection system for identifying suicide bombers; "spray-on-armor" capability to provide protection in the field for unarmored vehicles from improvised explosive devices; and an escape mask that provides up to fifteen-minutes of respiratory and ocular protection. ◆ The Counterterrorism Finance program assisted Indonesia, Philippines, Kenya, Thailand, and Paraguay to draft and/or pass anti-money laundering counterterrorism financing statutes that meet international standards.	◆ Strengthen the Foreign Emergency Support Team (FEST) program to adequately respond to international terrorist events and to develop a training and exercise program that will assist the Government of Italy with security arrangements for the 2006 Turin, Italy Winter Olympic Games. ◆ Technical Support Working Group: The nature of the terrorist threat is continually changing in terms of tactics, targets, groups, and technical sophistication. There is an ongoing need to invest wisely in appropriate countermeasure technological development in order to stay one step ahead of the terrorists.
HOMELAND SECURITY	
◆ Expanded information sharing between the Department and other USG agencies; improved U.S. border security; and quality of visa adjudications. ◆ Worldwide deployment of biometric visa capability achieved ahead of legislative deadline to improve U.S. national security. ◆ Measurable gains made in international cybersecurity program. ◆ Developed strong ties with Department of Homeland Security on the development and implementation of international cybersecurity programs.	◆ Improve coordination of the Department's IT infrastructure with other USG agencies. ◆ Support international cybersecurity programs, especially when asked by other nations and multilateral organizations; maintain and build sufficient staffing levels; and travel to and participate in necessary international programs.

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Positive Results	Continuing Challenges

WEAPONS OF MASS DESTRUCTION

◆ On December 19, 2003, Libya made a commitment to dismantle or eliminate their nuclear/chemical weapons and MTCR class missile programs. Libya has since signed/ratified the Chemical Weapons Convention (CWC) and IAEA additional Protocol, and is cooperating with the U.S./UK to remove equipment from their nuclear weapons program. Except for irradiated fuel, irradiated targets and yellowcake, virtually all items were transported to the U.S. by March 22, 2004. Libya has acceded to the CWC, destroyed chemical weapons (CW) munitions, and the entire SCUD C missile inventory was removed. ◆ Moscow Treaty's Bilateral Implementation Commission held its first meeting in April, 2004. ◆ Russia resolved a U.S. concern regarding Russia's practice of basing some deployed SS-25 road-mobile launchers outside their declared START facility. ◆ President Bush emphasized that Proliferation Security Initiative (PSI) cooperation must not just address shipments of WMD, but should also include efforts to shut down proliferation networks and to bring justice to those involved in facilitating this deadly trade. Core PSI partners have developed a series of practical steps that establish the basis for supportive States' involvement in the PSI activities. To date, over 80 nations have expressed their support for and interest in participating in the PSI. The Operational Experts Working Group, now consisting of 18 nations, continues to move aggressively forward to further implement the initiative.	◆ Sustain international agreement on the need for Iranian compliance with the International Atomic Energy Agency (IAEA) and of the threat created by Iran's acquisition and processing of nuclear material. ◆ Strengthen Six-Party talks to address the threat posed by North Korea's indigenous ballistic missile program and export of related technologies. Maintain consensus on the need for the complete, verifiable, and irreversible dismantlement of North Korea's nuclear programs. ◆ Educating States Parties to the Nuclear NonProliferation Treaty (NPT) on the inherent responsibility for compliance determinations and enforcement of the "Global Norm" against the use or proliferation of weapons of mass destruction. ◆ Motivating Russia to join the U.S. in translating the "new strategic relationship" declared by Presidents Bush and Putin into practical cooperation and transparency across the broad range of areas of common interest. ◆ The U.S. participated in Core Group discussions of the Convention on Physical Protection of Nuclear Material (CPPNM) to coordinate diplomatic strategy and supported an Austrian effort to submit draft amendments in the fall of 2004. Previously, the Drafting Group concluded its work without reaching consensus on a revision proposal, but did identify a set of possible amendments warranting further consideration by States Parties as the basis for a proposal.

INTERNATIONAL CRIME AND DRUGS

◆ Latin American coca cultivation projected to decline for third straight year; and opium poppy cultivation expected to decline for second straight year. Opium poppy cultivation in Southeast Asia projected to decline for fourth straight year. ◆ To help restore the rule of law in post-conflict Afghanistan and to provide a secure environment for national elections, the Department trained approximately 20,000 civilian police and helped establish the first-ever nationwide police communication system. ◆ To help restore stability and build rule of law in post-war Iraq, the Department established training facilities in Jordan and Baghdad on an expedited basis and continues to train Iraqi civilian police.	◆ The Afghan government's continuing difficulties in extending its authority throughout the country has limited its efforts to curb the increasing cultivation of opium poppy. ◆ Insufficient levels of institutional capacity in Afghanistan following long periods of civil strife and Taliban rule mean that the development of the justice sector — police, courts, and prisons — will be a long and slow process. ◆ Political violence in Iraq continues to hamper U.S. and international ability to support police development, especially critical field training, and the conduct of normal policing activities and operations. ◆ Shortage of anti-money laundering experts continues to create bottlenecks in meeting assistance needs of requesting nations, including high priority terrorist financing countries. ◆ International criminal groups – drug traffickers, organized crime, and terrorists – demonstrate increasing sophistication in exploiting the globalized economy and advances in communication, including the Internet.

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Positive Results	Continuing Challenges

AMERICAN CITIZENS

◆ The development of the Department's Online Registration System makes it easier for Americans to inform consular sections of their presence in country, and makes it easier for posts to communicate with Americans in emergency situations. ◆ Increased frequency of Consular Information Sheet revisions ensures Americans have access to more up-to-date information on host country conditions and specific concerns for U.S. citizens.	◆ Several steps remain in the implementation of the Inter-country Adoption Act and Entry into Force of the Hague Adoption Convention, including: (1) meeting and negotiating with potential private non-profit and state licensing accrediting entities; and (2) issuing revised regulations on accrediting adoption service providers in the Federal Register. ◆ Meet challenges of assisting Americans abroad in the face of continued terrorist threats.

DEMOCRACY AND HUMAN RIGHTS

◆ Elections in Afghanistan in early October 2004 drew millions of voters and the results were respected internationally and among the Afghan people. ◆ Efforts taken to expose the human rights crisis in Darfur through multilateral efforts, public outreach, and reporting. ◆ Advancement of religious freedom in Turkmenistan. ◆ Sustained improvements in reporting, particularly the continued publication of Supporting Human Rights and Democracy. ◆ Expansion of programming efforts through the Human Rights and Democracy Fund.	◆ Promotion and acceptance of religious freedom in countries of particular concern and problem regions. ◆ Viability of the UN Commission on Human Rights (UNCHR) and the ability to address the worst human rights violations. ◆ Continuing to support democratic reform in the Middle East.

ECONOMIC PROSPERITY AND SECURITY

◆ Expanded market opportunities for U.S. businesses, including telecommunications and IT sectors, through trade agreements, international commitments on standards (agreements with China and Korea), and advocacy with host nations on behalf of U.S. firms. ◆ Successful negotiation of five aviation liberalization agreements, including one with China, resulted in millions of dollars of revenue to U.S. firms and cities due to direct and indirect income generation. ◆ The Department provided key support to the emergent Millennium Challenge Corporation (MCC), including determining the selection criteria and naming of the first sixteen candidate countries. The MCC initiative assists developing countries that govern justly, invest in their own people, and promote economic freedom. ◆ Energy supplies secured through concluding the financing arrangements for Baku-Tblisi-Ceyhan oil and gas pipelines. ◆ Successful negotiation of Paris Club debt relief for developing countries in support of the international financial architecture. ◆ Concluded four free trade agreements (FTAs) and initiated a fifth, each involving countries offering important business expansion opportunities for U.S. firms.	◆ The Department will continue to assist the now-independent MCC to facilitate interactions with candidate countries and provide essential economic and political analysis as the initiative matures. ◆ While China's implementation of World Trade Organization commitments has shown a positive trend in general, protection of Intellectual Property Rights (IPR) has lagged behind, harming U.S. business interests.

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Positive Results	Continuing Challenges

SOCIAL AND ENVIRONMENTAL ISSUES

◆ The President's Emergency Plan for AIDS Relief (PEPFAR) received $2 billion in FY 2004, the first year of the five-year and $15 billion initiative committed to turning the tide in combating the HIV/AIDS pandemic.

◆ Eighteen high value projects totaling $3 million that enhance capacity in areas of health, water supply and quality, standards and accreditation, education, digital technologies, and strengthening the scientific links were initiated under the U.S.-Pakistan Science and Technology Agreement.

◆ The U.S. is in the final phases of negotiating a set of Science and Technology Agreements with Algeria, Morocco, and Tunisia that will enable each of these countries to collaborate with the U.S. both on a bilateral basis and regionally as a group.

◆ Significantly expanded verification and training in the use of turtle excluder devices (TEDs) in shrimp trawl fisheries around the world and broadened the program to the Western Indian Ocean for the first time.

◆ In support of U.S. efforts to enhance global health and security, the Department and the other countries of the Global Health Security Action Group (GHSAG) completed a successful international anthrax workshop to test laboratory procedures and also developed plans with the World Health Organization (WHO) for distribution of training materials on smallpox vaccination procedures. Furthermore, Germany, Canada, and the U.K. have made contributions (in-kind or financial) to the WHO Global Smallpox Vaccine Reserve.

◆ The agreements in North Africa, along with the existing Agreements with Bangladesh, Egypt and Pakistan, and the environmental cooperation with Morocco and Jordan, reinforce public participation, foster science-based economic development and environmental stewardship, and promote regional stability. Although the Agreements address many of the fundamental sources of extremism in these countries, and are strategic in their value to U.S. public diplomacy and our outreach to the Muslim world, funding for a rigorous program under each Agreement is uneven, or non-existent.

◆ Until the WHO clarifies the legal and liability issues surrounding the Global Smallpox Vaccine Reserve, many nations will continue to defer decisions on whether to participate in and contribute towards the reserve.

◆ Nations—including the U.S.—remain hesitant to discuss mechanisms for possible international sharing of medical countermeasures (i.e., vaccines, drugs) in the event of a bioterrorist attack.

HUMANITARIAN RESPONSE

◆ Repatriation and reintegration have been achieved on a near historic scale for refugees from several protracted situations. Over 1.5 million refugees and Internally Displaced Persons returned to Afghanistan, Angola, Burundi, Iraq, and Liberia in 2004.

◆ For the first time since September 11, 2001, U.S. refugee admissions reached the regional ceiling authorized by the President. As a result of significant effort, resources and coordination among USG agencies and partners, over 52,868 refugees achieved a durable solution through resettlement to the United States.

◆ Rumbeck Airfield in Sudan was demined in order to allow upgrades that will facilitate the delivery of World Food Program aid.

◆ In the Fizuli area of Azerbaijan, both a water pipe route and a power line route were cleared in order to provide water and electricity for returning Internally Displaced Persons.

◆ Ongoing conflict in the Darfur region of Sudan continues to force refugees to flee, with over 200,000 arriving in neighboring Chad in FY 2004. Harsh environmental conditions and protection concerns have hindered humanitarian access. Meeting refugees' basic needs (in order to prevent excess mortality and malnutrition) continues to be a serious challenge.

◆ Disruptions in feeding operations by the World Food Program continue to jeopardize the lives of refugees, Internally Displaced Persons, and conflict victims. Such breaks in the supply of food commodities force humanitarian agencies to cut rations, placing refugees' health at serious risk, impairing their ability to work and participate in the local economy and, in some cases, creating a source of conflict.

◆ Many countries lack sufficient information on the impact of landmines in their territory to support the creation of results-based national plans. This complicates the Department's process to allocate resources and monitor program performance.

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Positive Results	Continuing Challenges

PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

Positive Results

◆ Reinstated the Fulbright Program with Iraq and Afghanistan, helping those nations rejoin the community of nations.

◆ Expanded U.S. outreach to and engagement of Arab and Muslim successor generations by implementing the U.S. Government's first-ever high school program, Partnerships for Learning YES (Youth Exchange and Study) and a new undergraduate program, PLUS (Partnerships for Learning Undergraduate Studies), directed at young people from non-elite and under-served sectors of society.

◆ Created CultureConnect, a public-private partnership that brings American men and women of accomplishment together with broad and diverse groups of young people around the world.

◆ After coming to the United States, several Afghan teachers are now back in Afghanistan conducting workshops in basic education and English language skills for approximately 500 teachers and distributing educational materials and recruiting other teachers to their profession.

◆ Over 400,000 copies of the Department's publication, Muslim Life in America, were distributed in 28 languages around the world, including to Islamic schools, madrassas and mosques.

◆ The Arabic language "Hi" Magazine and its associated websites, produced for 18-35 year olds, are now available at newsstands in 18 countries. A website survey of readers shows that 50 percent of respondents said "Hi" gave them a more positive view of America.

◆ Meiguo Cankao (MCGK), the Department's Chinese language Internet service, averaged 20,000 page requests per day, and its material on America and its policies appeared with attribution frequently on major Chinese websites.

◆ Based on information gained through U.S. Speakers programs and International Visitor grants, the Korean Judicial Reform Committee announced a new American-style law school system to be introduced in 2008.

◆ The Department created a Public Diplomacy Office of Policy, Planning and Resources to better coordinate and measure the impact of public diplomacy. This office will address the issues raised in public diplomacy studies and reviews.

Continuing Challenges

◆ Visa requirements for exchange visitors still result in some invited and selected visitors not being able to participate in programs.

◆ With a global audience, a significant challenge is measuring the impact of our messages to targeted audiences. Measuring the effect on the hearts and minds in foreign media markets, including whether our wide range of products influences attitudes towards the U.S. and increases understanding of U.S. foreign policy, is a universal challenge.

◆ More comprehensive, systematic efforts to counter anti-American misinformation need to be established, to answer false charges that are increasingly common in certain parts of the world.

◆ Chinese official government press continues to portray the United States in a negative light. Large numbers of Chinese hold less than positive images of the United States.

◆ Through the interagency Muslim World Outreach Policy Coordinating Committee, the Department is making a major effort to identify new approaches and technologies for more effective communication with the Muslim and Arab worlds and to counter the impact of hostile influences.

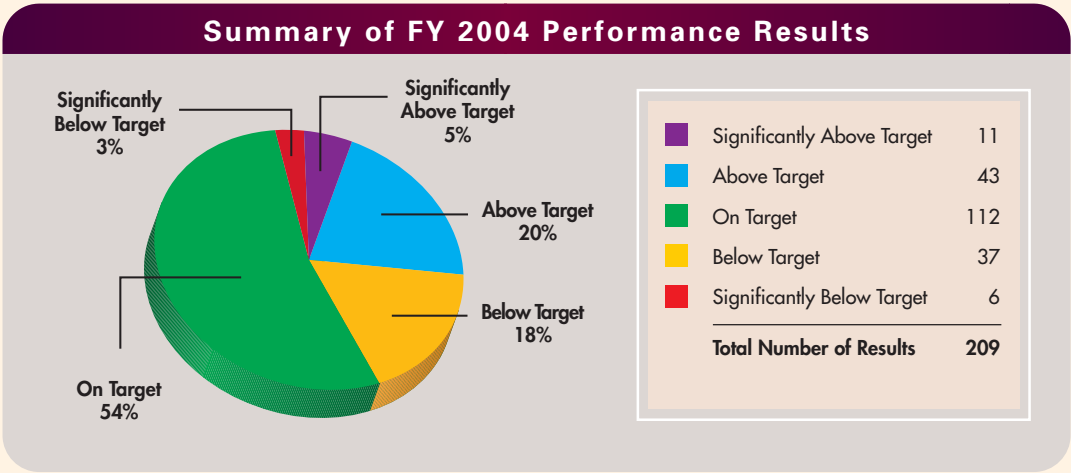### MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

Positive Results

◆ The Department began awarding "bonus points" for hiring persons who proficiently speak a critical needs language and who independently pass the Foreign Service oral exam. This practice has already assisted in the hiring of many speakers of Arabic, Russian, and Chinese, among others.

◆ Training hours for State personnel in critical languages such as Arabic, Pashtu, Dari/Afghan, Tajiki, Persian/Farsi/Iranian, Urdu, and Uzbek have increased almost 20% over FY 2003.

◆ The Department is 15% ahead of schedule in its plan to provide mandatory leadership training to a target of approximately 7,000 employees by the end of CY 2006.

◆ The Department established a new Global Information Technology Modernization office, which is providing an aggressive life-cycle modernization program for both classified and unclassified IT infrastructure.

◆ Increased partnerships with Homeland Security, Intelligence community, Joint Terrorism Task Forces, INTERPOL, International Law Enforcement Academy, federal state and local law enforcement organizations.

◆ Accelerated acquisition of New Embassy Compound sites: seven in FY 2004 and another eight under contract to ensure that Capital Construction Program will remain in "high gear."

Continuing Challenges

◆ Additional training positions are required to assure readiness in critical needs languages and area studies, especially in Arabic and other hard languages. The training and development of our officers must adjust to meet the demands of diplomacy in the 21st Century.

◆ Providing additional offerings of mandatory leadership training to meet a shifting audience as employees are promoted into and retire out of the target grades.

◆ Maintain Department's mandatory cyber security compliance, continue cyber security institutionalization and verify proper security.

◆ Meeting the security responsibilities of ever-changing international events, supporting the global war on terrorism, and opening our embassy in Baghdad.

◆ Working closely with other agencies and stakeholders to ensure close coordination when planning and executing capital construction projects.

SUMMARY OF FY 2004 PERFORMANCE RESULTS

Summary of All Results

The following pie chart shows the ratings distribution for all performance results reported in FY 2004. As shown below, 79% of the results were "On Target" or above, meaning performance results met or exceeded performance targets. This represents a slight improvement over FY 2003, when 77% of results met or exceeded performance targets.

Summary of FY 2004 Performance Results

	Number
Significantly Above Target	11
Above Target	43
On Target	112
Below Target	37
Significantly Below Target	6
Total Number of Results	**209**

Significantly Below Target 3%
Significantly Above Target 5%
Above Target 20%
Below Target 18%
On Target 54%

Summary of Strategic Goal Results

This table compares the FY 2004 average with the FY 2003 average of the performance ratings for all reported results for each strategic goal.
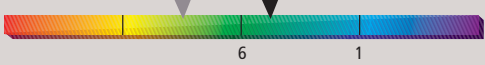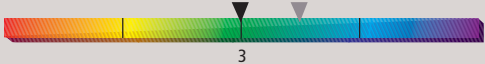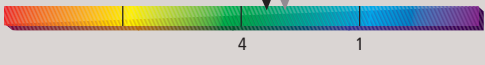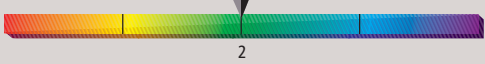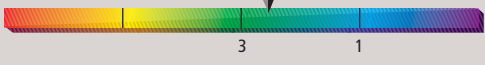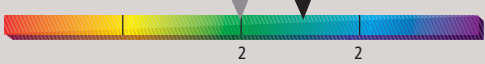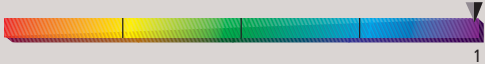
	Strategic Goal	FY 2003	FY 2004	Change From Last Year
1	Regional Stability	Below Target	Below Target	↔
2	Counterterrorism	On Target	On Target	↔
3	Homeland Security	On Target	On Target	↔
4	Weapons of Mass Destruction	On Target	Below Target	↓
5	International Crime and Drugs	On Target	On Target	↔
6	American Citizens	Below Target	On Target	↑
7	Democracy and Human Rights	Below Target	On Target	↑
8	Economic Prosperity and Security	On Target	On Target	↔
9	Social and Environmental Issues	On Target	On Target	↔
10	Humanitarian Response	On Target	On Target	↔
11	Public Diplomacy and Public Affairs	On Target	On Target	↔
12	Management and Organizational Excellence	On Target	On Target	↔

Average Performance Rating[1]

[1] Based on the average of all performance result ratings within a strategic goal.
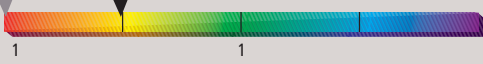
Summary Performance Goal Results
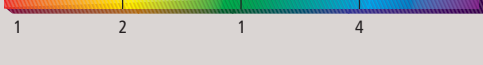
The table below provides performance results for each of the Department's FY 2004 annual performance goals. The inverted black triangle represents the average of all performance ratings assigned to results associated with the Performance Goal. The numbers below the rating scale show how the ratings were distributed among the reported FY 2004 results. In addition, for comparison purposes, the FY 2003 performance rating average is represented by the inverted gray triangle. Also represented in the table below is the amount of "Budget Authority" and "Human Resources" applied to each Strategic Goal for FY 2004.

Strategic Goal with Resources Invested	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Regional Stability Budget Authority: $6,641 Million Human Resources: 1,160 Positions	Close, strong, and effective U.S. ties with allies, friends, partners and regional organizations. *7 Results*			6	1	
	Existing and emergent regional conflicts are contained or resolved. *10 Results*	3	5	1		1
Counterterrorism Budget Authority: $1,160 Million Human Resources: 898 Positions	Coalition partners identify, deter, apprehend, and prosecute terrorists. *3 Results*			3		
	U.S. and foreign governments actively combat terrorist financing. *5 Results*			4	1	
	Coordinated international prevention and response to terrorism, including bioterrorism. *2 Results*			2		
	Stable political and economic conditions that prevent terrorism from flourishing in fragile or failing states.	*USAID addresses this performance goal.*[1]				
Homeland Security Budget Authority: $237 Million Human Resources: 562 Positions	Denial of visas to foreign citizens who would abuse or threaten the U.S. while facilitating entry of legitimate applicants. *4 Results*			3	1	
	Implemented international agreements to stop the entry of goods that could harm the U.S., while ensuring the transfer of bona fide materials. *4 Results*			2	2	
	Protection of critical physical and cyber infrastructure networks through agreements and enhanced cooperation. *1 Result*					1

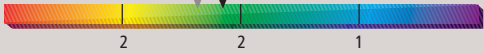[1] Department of State and USAID share the same goal framework.

Strategic Goal with Resources Invested	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Weapons of Mass Destruction Budget Authority: $431 Million Human Resources: 514 Positions	Bilateral measures, including the promotion of new technologies, combat the proliferation of WMD and reduce stockpiles. *15 Results*		6	6	2	1
	Strengthened multilateral WMD agreements and nuclear energy cooperation under appropriate conditions. *11 Results*		2	8		1
	Verification integrated throughout the negotiation and implementation of nonproliferation and arms control agreements and commitments, and rigorous enforcement of compliance with implementation and inspection regimes. *10 Results*	1	2	7		
International Crime and Drugs Budget Authority: $1,482 Million Human Resources: 695 Positions	International trafficking in drugs, persons, and other illicit goods disrupted and criminal organizations dismantled. *7 Results*		2	3	2	
	States cooperate internationally to set and implement anti-drug and anti-crime standards, share financial and political burdens, and close off safe-havens through justice systems and related institution building. *6 Results*		2	3		1
American Citizens Budget Authority: $60 Million Human Resources: 551 Positions	U.S. citizens have the consular information, services, and protection they need to reside, conduct business, or travel abroad. *3 Results*			3		
	Effective and timely passport issuance, with document integrity assured. *2 Results*			1	1	
Democracy and Human Rights Budget Authority: $1,100 Million Human Resources: 822 Positions	Measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices. *2 Results*			2		
	Universal standards protect human rights, including the rights of women and ethnic minorities, religious freedom, worker rights, and the reduction of child labor. *12 Results*			6	6	

Strategic Goal with Resources Invested	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Economic Prosperity and Security **Budget Authority:** $3,270 Million **Human Resources:** 1,539 Positions	Institutions, laws, and policies foster private sector growth, macroeconomic stability, and poverty reduction. *2 Results*	1		1		
	Increased trade and investment achieved through market-opening international agreements and further integration of developing countries into the trading system. *10 Results*		1	5	2	2
	Secure and stable financial and energy markets. *2 Results*			1	1	
	Enhanced food security and agricultural development.	*USAID addresses this performance goal[1]*				
Social and Environmental Issues **Budget Authority:** $2,367 Million **Human Resources:** 281 Positions	Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis. *8 Results*		1	7		
	Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and resource management. *15 Results*		1	10	4	
	Broader access to quality education with emphasis on primary school completion.	*USAID addresses this performance goal[1]*				
	Effective and humane international migration policies and systems.[2] *1 Result*				1	
Humanitarian Response **Budget Authority:** $1,126 Million **Human Resources:** 547 Positions	Effective protection, assistance, and durable solutions for refugees, internally displaced persons, and conflict victims. *8 Results*	1	2	1	4	
	Improved capacity of host countries and the international community to reduce vulnerabilities to disasters and anticipate and respond to humanitarian emergencies.	*USAID addresses this performance goal[1]*				

[1] Department of State and USAID share the same goal framework.

[2] No gray triangle is shown for this performance goal because this goal was new for FY 2004.

Strategic Goal with Resources Invested	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Public Diplomacy and Public Affairs **Budget Authority:** $538 Million **Human Resources:** 2,230 Positions	Public diplomacy influences global public opinion and decision-making consistent with U.S national interests. *2 Results*		1	1		
	International exchanges increase mutual understanding and build trust between Americans and people and institutions around the world. *4 Results*			2	1	1
	Basic human values embraced by Americans are respected and understood by global publics and institutions. *2 Results*			1		1
	American understanding and support for U.S. foreign policy, development programs, the Department of State, and USAID. *4 Results*			3	1	
Management and Organizational Excellence **Budget Authority:** $4,861 Million **Human Resources:** 9,585 Positions	A high performing, well-trained, and diverse workforce aligned with mission requirements. *15 Results*		5	6	3	1
	Modernized, secure, and high quality information technology management and infrastructure that meets critical business requirements. *7 Results*			4	3	
	Personnel are safe from physical harm and national security information is safe from compromise. *6 Results*		2	2	2	
	Secure, safe, and functional facilities serving domestic and overseas staff. *9 Results*		1	6	2	
	Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability. *5 Results*		2	2	1	
	Customer-oriented, innovative delivery of administrative and information services, acquisitions, and assistance. *5 Results*		1	1	2	1

ILLUSTRATIVE EXAMPLES OF SIGNIFICANT ACHIEVEMENTS

STRATEGIC GOAL #1: REGIONAL STABILITY

Peacekeeping Participation

Many peace support operation (PSO) recipient countries have supported coalition operations led by the U.S., such as those in Afghanistan and Iraq. For example, assistance was provided to Mongolia in FY 2000, 2001 and 2003. Prior to 2000, Mongolia did not have a national policy to deploy forces beyond its borders, yet this was the first country to offer an infantry battalion to the coalition in Iraq.

Soldiers of New York State Army National Guard stand during the closing ceremony of a multinational platoon exercise for U.N. peacekeepers at Peace Support Operation Training Institute in Kukuleganga, Sri Lanka. © *AP/Wide World Photos*

STRATEGIC GOAL #2: COUNTERTERRORISM

Terrorist Interdiction Program

During FY 2004, the number of countries cooperating with the United States in conducting effective terrorist watch-listing at key ports of entry continued to expand beyond the 12 that were partners in FY 2003, with six additional countries indicating their interest in, and willingness to participate in the program. Initial or expanded deployments of the Personal Identification Secure Comparison and Evaluation System (PISCES) watch-listing system were carried out in five countries in FY 2004. In some countries, the Terrorist Interdiction Program (TIP)/PISCES program has served as the cornerstone of the U.S. mission's counterterrorism relationship with the host government and, as a result, has fostered increased counterterrorism cooperation and action on the part of that government.

Iraqi interim Prime Minister Iyad Allawi, second from right, asks questions about the PISCES computer system used by Iraqi border agents as he tours the Muntheria border crossing on the Iran-Iraq border. Also joining the tour are National Security Advisor Muwfak al-Rubai, left, Minister Of Defense Hazem Sha-alam, second from left, and Interior Minister Falah al-Nakib, right. © *AP/Wide World Photos/Maya Alleruzzo/POOL*

STRATEGIC GOAL #3: HOMELAND SECURITY

Container Security Initiative

The Department spearheaded global efforts to protect transportation networks through stronger shipping and aviation security rules. Nineteen of the 20 largest world ports committed to participate in the Container Security Initiative (CSI). In addition, the program expanded to other strategic ports including Malaysia and South Africa. CSI is now operational in twenty-six ports and at least two countries, Canada and Japan, have utilized the reciprocal aspects of the program to have their customs officials present at U.S. ports to observe cargo bound for their countries.

A boat patrols near a ship that unloads containers in the port of Balboa in Panama City. ©*AP/Wide World Photos/Arnulfo Franco*

STRATEGIC GOAL #4: WEAPONS OF MASS DESTRUCTION

Libya

In December 2003, Libya made a commitment to dismantle or eliminate its nuclear/chemical weapons and Missile Technology Control Regime class missile programs. Libya has since signed/ ratified IAEA additional Protocol, and is cooperating with the U.S./UK to remove equipment from its nuclear weapons program. Libya has acceded to the Chemical Weapons Convention (CWC), destroyed CW munitions, and facilitated the removal of its entire SCUD C missile inventory.

President Bush talks with Jon Kreykes, manager of National Security Advanced Technology as they look over vacuum cases for centrifuges collected from Libya at the Oak Ridge National Laboratory in Oak Ridge, Tennessee.

© *AP/Wide World Photos/Susan Walsh*

STRATEGIC GOAL #5: INTERNATIONAL CRIME AND DRUGS

Andean Counterdrug Initiative

The Andean Counterdrug Initiative has begun paying high dividends in the fight against illegal cocaine and heroin from the Andean region of South America. In 2003, the Andean coca crop dropped to its lowest levels since the USG estimates began back in 1986. Total cultivation was down 16 percent in 2003. The U.S.-backed aerial eradication program in Colombia, the primary source of cocaine coming to the United States, was particularly effective, reducing coca cultivation by 21 percent in 2003 and by 33 percent over the past two years. Opium poppy cultivation in Colombia, which, along with Mexico, provides 90 percent of the illegal heroin consumed in the United States, also declined by 10 percent. For 2004, the aerial eradication operation is on a glide path for a third straight year of reduced coca and opium poppy cultivation. During this same period, the U.S.-helped Colombia establish a security presence in 158 municipalities formerly left to narco-terrorists, leading to a dramatic fall in violent crime and displaced people.

Anti-narcotics police officers disembark at a coca field in the rural area of Sotomayor in the southern Narino state. The police destroyed two labs as part of their counternarcotics effort in that area of the country. According to a United Nations report, land under cultivation for coca in Colombia has declined 16 percent last year. ©*AP/Wide World Photos/Javier Galeano*

STRATEGIC GOAL #6: AMERICAN CITIZENS

International Child Adoption

The Department's Adoption Unit in the Office of Children's Issues protects and promotes the option of intercountry adoption as a way to provide a permanent family placement for a child who cannot find one in his or her home country. The Department coordinates policies on intercountry adoption with other countries and the international community, and promotes Convention-compliant national adoption legislation and policies. The Department firmly supports intercountry adoption within the context of strong safeguards for the interests of children, birth parents and adoptive parents, as embodied in the Hague Convention on Protection of Children and Cooperation in Respect of Intercountry Adoption.

The Department's Bureau of Consular Affairs assisted this American couple with the intercountry adoption of their infant daughter. Department of State Photo

STRATEGIC GOAL #7: DEMOCRACY AND HUMAN RIGHTS

Equality in Iraq

Iraqi women occupy numerous positions in the new government. The Iraqi cabinet, announced in May 2004, includes six women ministers of a total of 33 individuals. In addition, seven women were appointed to hold deputy minister positions, women occupy six of the 37 seats on the Baghdad City Council, 81 serve on neighborhood and district councils around the capital, and many women have also been elected to district, local, and municipal councils in most other regions of Iraq. The Department also backed the successful efforts to persuade the Iraqi Governing Council to repeal Resolution 137, which would have imposed Shari'ah family law on Iraqi women.

Iraqi Governing Concil member Younadem Kana raises the newly-signed Iraqi interim constitution as other members applaud in the background during signing ceremony on March 8, 2004 in Baghdad, Iraq.
© *AP/Wide World Photos/Peter Andrews*

STRATEGIC GOAL #8: ECONOMIC PROSPERITY

Recovering Iraqi Assets

The Department worked with Treasury to recover from non-U.S. sources more than $800 million in assets of Saddam Hussein and the former Government of Iraq, which will be used to fund Iraq's reconstruction. The successful effort built on the unique asset recovery provisions of UN Security Council Resolution 1483 previously negotiated by the Department, which required all UN Member States to freeze and transfer these assets to the Development Fund for Iraq (DFI). Iraqi ministries used DFI funds for purposes that directly benefited the people of Iraq, such as Iraqi government operations, including salaries for teachers, health workers, security, etc. The DFI also funded the repair of electrical infrastructure and the refurbishing of water plants, as well as for Iraqi defense and police forces that are today taking on more of the fight against insurgents.

U.S. Ambassador to Iraq John Negroponte, left, shakes hands with National Security Advisor Condoleezza Rice during a ceremony at the State Department in Washington. © *AP/Wide World Photo/Ron Edmonds*

STRATEGIC GOAL #9: SOCIAL AND ENVIRONMENTAL ISSUES

The President's Emergency Plan for AIDS Relief

The President's Emergency Plan for AIDS Relief is the largest commitment ever by a single nation toward an international health initiative. It is a five-year, $15 billion effort to combat HIV/AIDS in more than 100 countries around the world. In 15 of the hardest-hit countries, the Emergency Plan will prevent seven million new HIV infections, provide antiretroviral treatment to two million HIV-infected individuals, and provide care for ten million individuals infected and affected by HIV/AIDS, including orphans and vulnerable children. In July 2004, just six months after the Emergency Plan received its first appropriation from Congress, preliminary reports from nine of the fifteen focus countries indicated that the Emergency Plan was supporting antiretroviral therapy for at minimum, 24,900 HIV-infected men, women and children. With this early success and continued work to rapidly expand capacity, the President's Emergency Plan is on track to have over 200,000 people on treatment by June 2005 - a number that will be approximately double the number of persons receiving treatment in sub-Saharan Africa.

U.S. Global AIDS Coordinator, Ambassador Randall Tobias, looks on at his results after taking an HIV test during his visit to a provincial hospital in Xai Xai northeast of Maputo, Mozambique. Tobias underwent a public HIV test to help fight the stigma associated with AIDS. © AP/Wide World Photos/Themba Hadebe

STRATEGIC GOAL #10: HUMANITARIAN RESPONSE

Response to Humanitarian Crisis in Chad and Darfur

The USG has led the international response to the humanitarian emergency resulting from the ongoing conflict in Darfur, Sudan. Working closely together, the Department and USAID have provided over $200 million in FY 2004 to meet the urgent humanitarian needs of 200,000 Sudanese refugees in Chad and 1.2 million internally displaced persons in Darfur. The Department and USAID are actively engaged with multilateral and non-governmental organizations to ensure strong management of assistance programs under challenging conditions. The USG is also a leading advocate for the protection of civilians affected by the conflict.

Constance Berry Newman, Assistant Secretary of State for African affairs, listens to a USAID official as she visits Abu Shouk camp, in North Darfur, Sudan, where more than 40,000 displaced Sudanese receive food and shelter from international aid agencies. ©AP/Wide World Photos/Amr Nabil

STRATEGIC GOAL #11: PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

Former Exchange Participants Lead "Revolution of Roses" in Georgia

Ten years of individual and institutional exchange programming in Georgia reached a critical mass as exchange alumni led the opposition in democratic ferment. The backbone of a new Georgian era is a network of participants in U.S. visits for students and young government officials, professionals, and experts in a variety of fields, who were introduced to U.S. counterparts in carefully designed programs on themes ranging from "Human Rights Protection" to "U.S. Democratic Principles." In the new Georgian government, exchange alumni include: The President (FSA Muskie 2-year graduate program, International Visitor), the Prime Minister (International Visitor), Head of National Security (International Visitor), Minister of Foreign Affairs (Voluntary Visitor), Minister of Defense (Muskie Fellowship), Minister of Infrastructure and Development (Fulbright), and members of parliament and leaders of major political parties and voluntary associations.

Georgian President Mikhail Saakashvili, right, and the U.S. Secretary of State Colin Powell seen during their meeting in Tbilisi, Georgia in early 2004. © AP/Wide World Photos/Giorgi Abdaladze

STRATEGIC GOAL #12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

Protecting the American Public

Diplomatic Security was on the front lines supporting the Department in the Global War on Terrorism, particularly in the overseas environment, and protecting the American public. Agent deployment to highly non-permissive environments continued at an increased rate. The Regional Security Office in Baghdad remains fully engaged in security operations throughout Iraq while transition planning proceeds full force. Dignitary protection was provided for Afghan President Karzai and the interim President and Prime Minister of Haiti. Diplomatic Security was also a part of a massive USG-wide effort to assist the Greek security authorities in preparation for the 2004 Summer Olympics.

An U.S.-Swiss airship flies behind the Parthenon temple on the ancient Acropolis hill in Athens to help provide security at the Olympic Games. © AP/Wide World Photos/Petros Karadjias

PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

The Office of Management and Budget (OMB) uses the Program Assessment Rating Tool (PART) to assess federal programs. The PART is a series of diagnostic questions used to assess and evaluate programs across a set of performance-related criteria, including program design and purpose, strategic planning, program management, and results. PART results are then used to inform the budget process and improve program management to ensure the most effective and efficient use of taxpayer dollars.

To date, the Department of State and OMB have conducted 27 PART reviews for State's programs. PART reviews conducted this year include both new assessments (11) and reassessments from previous years. For CY 2004 (FY 2006 budget process), some of the programs that were newly evaluated include the Andean Counterdrug Initiative, Global Educational and Cultural Exchange programs, and the Human Rights and Democracy Fund. All of State's programs assessed to date fall within the "Adequate" to "Effective" categories. State has no programs rated as "Results Not Demonstrated" or "Ineffective." (See table below.)

One of the Department's programs, Educational and Cultural Exchange programs in Near East Asia and South Asia, ranked as the highest scored PART program in the Federal Government. Three of the Department's programs, Global Educational and Cultural Exchanges, Capital Security Construction Program, and Security Assistance Programs to Sub-Saharan Africa, tied with two other Federal Government programs in having the second highest PART scores government-wide this year.

Based on the analysis of this year's assessment, the Department shows strength in its program purpose and design, program management, and strategic planning efforts. The results are summarized on the following pages by strategic goal, including major findings and recommendations, and actions taken or planned to address the findings and recommendations.

The results from the PART reviews are summarized below by strategic goal. On the following pages, information also is provided describing how bureaus have addressed and implemented findings and recommendations for FY 2004 PARTs (see Table 1), and FY 2005 PARTs (see Table 2).
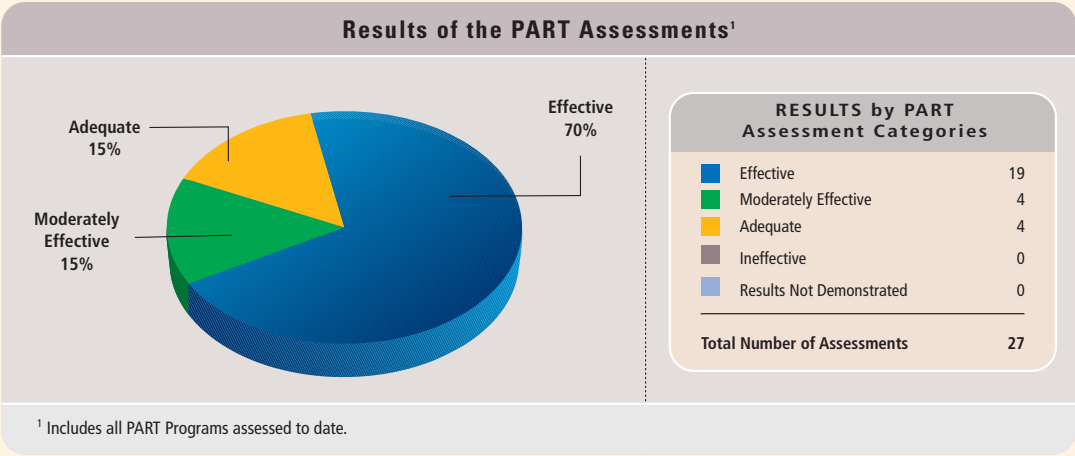
Results of the PART Assessments[1]

Effective 70%

Adequate 15%

Moderately Effective 15%

RESULTS by PART Assessment Categories	
Effective	19
Moderately Effective	4
Adequate	4
Ineffective	0
Results Not Demonstrated	0
Total Number of Assessments	**27**

[1] Includes all PART Programs assessed to date.

TABLE 1
FY 2004 PROGRAM ASSESSMENT RATING TOOL (PART) SUMMARIES
BY STRATEGIC GOAL

STRATEGIC GOAL 1	REGIONAL STABILITY
Program Name	**Peacekeeping Operations – OSCE**
Ratings	◆ CY 2002: Results Not Demonstrated ◆ CY 2003: Moderately Effective ◆ CY 2004: Not Reassessed
Lead Bureau	◆ European and Eurasian Affairs (EUR)
Major Findings/Recommendations	◆ PM, EUR, and USOSCE should develop measurable criteria for the assessment of peacekeeping efforts in Organization for Security and Cooperation in Europe (OSCE) states.
Actions Taken/Planned	◆ USOSCE Mission Performance Plan established detailed performance indicators for resolution of conflicts in OSCE states and refined efficiency indicators for peacekeeping missions. (Action Completed)
Program Name	**Security Assistance to Sub Saharan Africa**
Ratings	◆ CY 2002: Results Not Demonstrated ◆ CY 2003: Moderately Effective ◆ CY 2004: Effective
Lead Bureau	◆ African Affairs (AF)
Major Findings/Recommendations	◆ Program and program partners not achieving all annual performance goals.
Actions Taken/Planned	◆ Provided proposed measures to OMB for review. Provided performance data for use in Department's Performance and Accountability Report.
Program Name	**Military Assistance to New NATO and NATO Aspirant Nations**
Ratings	◆ CY 2002: Moderately Effective ◆ CY 2003: Not Reassessed ◆ CY 2004: Not Reassessed
Lead Bureau	◆ European and Eurasian Affairs (EUR)
Major Findings/Recommendations	◆ No regularly scheduled evaluation of program effectiveness exists by independent parties. ◆ DoS and DoD differ on priorities and do not produce coinciding budget schedules.
Actions Taken/Planned	◆ The European Command Inspector General conducts annual inspections independent of the unified command. ◆ DoD goals are discussed in interagency meetings to balance DoD requirements with Department goals. This produces a single, agreed upon recommendation.

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STRATEGIC GOAL 2	COUNTERTERRORISM
Program Name	Anti-Terrorism Assistance
Ratings	◆ CY 2002: Moderately Effective ◆ CY 2003: Effective ◆ CY 2004: Not Reassessed
Lead Bureau	◆ Coordinator for Counterterrorism (S/CT)
Major Findings/ Recommendations	◆ Seek to improve long-term outcome measure to capture qualitative improvements to host country capabilities. ◆ Demonstrate progress on newly developed efficiency measure and incorporate refined measure into the FY 2006 budget.
Actions Taken/Planned	◆ Working with OMB, S/CT has improved long-term outcome measures to better capture improvements in host country capabilities. ◆ A revised efficiency measure has been developed and submitted with the PART input for this year's reassessment. The measure has been approved by OMB.

STRATEGIC GOAL 3	HOMELAND SECURITY
Program Name	Border Security
Ratings	◆ CY 2002: Moderately Effective ◆ CY 2003: Moderately Effective ◆ CY 2004: Effective
Lead Bureau	◆ Consular Affairs (CA)
Major Findings/ Recommendations	◆ The managers of this program and the program itself have made great progress over the past two years. The reassessment found that the program is not effectively tracking its own progress due to overly broad performance goals and measures, and Department of Homeland Security (DHS) and law enforcement agencies are not always including the State Department in early stages of deliberation over new policies which would enhance coordination and collaboration over long-term goals.
Actions Taken/Planned	◆ CA has revised its long-term and annual goals and more clearly defined the linkages between the two. CA is working closely with DHS and the FBI, in particular, on mutual goals. This has resulted in a significantly improved score for the recent reassessment in calendar year 2004.

Secretary of State Colin Powell, right, leads employees and relatives of U.S. Foreign Service officers in a moment of silence, at the lobby of the State Department during the American Foreign Service Association's Memorial Plaque ceremony, to honor the fallen foreign service employees on Foreign Affairs Day 2004.
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STRATEGIC GOAL 10	HUMANITARIAN RESPONSE
Program Name	**Refugee Admissions to the U.S.**
Ratings	◆ CY 2002: Adequate ◆ CY 2003: Moderately Effective ◆ CY 2004: Effective
Lead Bureau	◆ Population, Refugees, and Migration (PRM)
Major Findings/ Recommendations	◆ Review the relationship for refugee reception and placement between the Refugee Admissions program at the Department and the Office of Refugee Resettlement at the Department of Health and Human Services (HHS). ◆ Continue ongoing efforts to improve strategic planning to ensure that goals are measurable and mission-related.
Actions Taken/Planned	◆ Because of the Homeland Security Act, attention has been focused on other aspects of the HHS program in FY 2003 and early FY 2004. OMB action to complete. ◆ Measurable goals included in FY 2005 PART and will also be included in the FY 2005 Budget. (Action Completed)
Program Name	**Humanitarian Migrants to Israel**
Ratings	◆ CY 2002: Adequate ◆ CY 2003: Moderately Effective ◆ CY 2004: Effective
Lead Bureau	◆ Population, Refugees, and Migration (PRM)
Major Findings/ Recommendations	◆ Establish better long-term goals, as well as more annual goals, with the United Israel Appeal in the 2003 grant agreement. Establish efficiency measure.
Actions Taken/Planned	◆ Long-term and annual goals agreed with United Israel Appeal in 2003 and grant agreement finalized for 2004. Efficiency measure established and approved by OMB. (Action Completed)

STRATEGIC GOAL 11	PUBLIC DIPLOMACY AND PUBLIC AFFAIRS
Program Name	**Educational Exchanges in Near East Asia and South Asia**
Ratings	◆ CY 2002: Results Not Demonstrated ◆ CY 2003: Effective ◆ CY 2004: Effective
Lead Bureau	◆ Education and Cultural Affairs (ECA)
Major Findings/ Recommendations	◆ Clearly define targets and timeframes. ◆ Create regional long-term goals. ◆ Set long-term goals relative to baseline. ◆ ECA is taking on additional management and administrative responsibility in 2005. This includes expansion of ECA coordination and management of policy, planning and development of standardized performance and evaluation tools and methods for all Public Diplomacy programs.
Actions Taken/Planned	◆ Department provided proposed measures and goals and process to OMB for review. Measures have been approved by OMB and resulted in a dramatic increase for the recent reassessment in CY 2004. ◆ Regional goals established through coordination with regional bureaus and approved by OMB. ◆ Long-term and annual goals are set to established baselines, targets and timeframes now included in performance indicators. ◆ ECA has consulted with public diplomacy bureaus on PART, Evaluation and Strategic Planning. ECA has conducted public briefings on PART and Evaluation, and is coordinating evaluations of several programs.

STRATEGIC GOAL 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Program Name	Capital Security Construction
Ratings	◆ CY 2002: Moderately Effective ◆ CY 2003: Effective ◆ CY 2004: Effective
Lead Bureau	◆ Overseas Buildings Operations (OBO)
Major Findings/ Recommendations	◆ Effects of management changes in OBO were not fully known at the time of the FY 2004 PART review. ◆ Develop new goals that closely link performance to the budget.
Actions Taken/Planned	◆ Effects on management changes were well documented in the FY 2005 PART process and OBO received a strong score for this PART program. (Action Completed) ◆ Goals/performance measures were developed/linked to OBO budget. (Action Completed)

TABLE 2
FY 2005 PROGRAM ASSESSMENT REVIEW TOOL (PART) SUMMARIES
BY STRATEGIC GOAL

STRATEGIC GOAL 1	REGIONAL STABILITY
Program Name	Security Assistance for the Western Hemisphere
Ratings	◆ CY 2003: Moderately Effective ◆ CY 2004: Effective
Lead Bureau	◆ Western Hemisphere Affairs (WHA)
Major Findings/ Recommendations	◆ Long-term goals need more definition, with specific targets and timeframes. ◆ Annual resource needs and budget requests of State and Defense Departments could be presented in a more complete and transparent manner.
Actions Taken/Planned	◆ Resubmitted goals and specific targets. ◆ Established a more formal arrangement for coordinating security assistance.

STRATEGIC GOAL 2	COUNTERTERRORISM
Program Name	Terrorist Interdiction Program (TIP)
Ratings	◆ CY 2003: Results Not Demonstrated ◆ CY 2004: Effective
Lead Bureau	◆ Coordinator for Counterterrorism (S/CT)
Major Findings/ Recommendations	◆ Complete program management staff improvements. ◆ Develop targets for long-term goal of system installations. ◆ Seek to improve long-term outcome measure to capture qualitative improvements to host country capabilities. ◆ Demonstrate progress on newly developed efficiency measure and incorporate refined measure into the FY 2006 budget.
Actions Taken/Planned	◆ Targets have been initially established for long-term goal of providing the TIP watchlisting system to every country on the joint-agency developed "tier list." ◆ Improved long-term outcome measures to capture improvements in host country capabilities which have been approved by OMB. ◆ A revised efficiency measure has been submitted and approved by OMB.

STRATEGIC GOAL 4	WEAPONS OF MASS DESTRUCTION
Program Name	Nonproliferation and Disarmament Fund (NDF)
Ratings	◆ CY 2003: Effective ◆ CY 2004: Effective
Lead Bureau	◆ Nonproliferation (NP)
Major Findings/ Recommendations	◆ Add long-term measures.
Actions Taken/Planned	◆ Nonproliferation and Disarmament Fund will now track all measures.

STRATEGIC GOALS 7 & 8	DEMOCRACY AND HUMAN RIGHTS / ECONOMIC PROSPERITY AND SECURITY
Program Name	Coordination of Support for East European Democracy (SEED) and Assistance for the Independent States of the Former Soviet Union (FSA)
Ratings	◆ CY 2003: Results Not Demonstrated ◆ CY 2004: Effective
Lead Bureau	◆ European and Eurasian Affairs (EUR)
Major Findings/ Recommendations	◆ Unclear linkage between BPP/MPP process & Coordinator's office budget allocation process. ◆ SEED and FSA annual reports do not contain sectoral performance measures.
Actions Taken/Planned	◆ The MPP/BPP, Annual Reports and Country phase out process have been synchronized to guide budget allocation decisions. ◆ Posts included sectoral performance measures in their 2003 Annual Report submissions.

STRATEGIC GOAL 8	ECONOMIC PROSPERITY AND SECURITY
Program Name	United Nations Development Program (UNDP)
Ratings	◆ CY 2003: Results Not Demonstrated ◆ CY 2004: Effective
Lead Bureau	◆ International Organizations (IO)
Major Findings/ Recommendations	◆ This year's Performance Plan is a significant improvement over the previous year's. The plan contains measurable targets for UNDP programs. It is also demonstrated that Federal managers are accountable to advance U.S. interests through participation in the UNDP Executive Board. ◆ The performance plan does not currently include any efficiency measures.
Actions Taken/Planned	◆ The OMB-approved efficiency indicator is included in the FY 2005 Department Performance Plan.

STRATEGIC GOAL 10	HUMANITARIAN RESPONSE
Program Name	Humanitarian Demining
Ratings	◆ CY 2003: Effective ◆ CY 2004: Effective
Lead Bureau	◆ Political/Military Affairs (PM)
Major Findings/Recommendations	◆ Review the relationship between annual and long-term goals and develop revised goals as necessary for the FY 2006 budget. ◆ Demonstrate progress on newly developed efficiency measures and incorporate into the PART for the FY 2006 budget.
Actions Taken/Planned	◆ Revised existing annual performance measures and developed an additional performance measure. (Action Completed) ◆ The efficiency measure increased from 3.4 to 3.7 from FY 2002 to FY 2003, respectively. (Action Completed)
Program Name	United Nations High Commissioner for Refugees (UNHCR)
Ratings	◆ CY 2003: Moderately Effective ◆ CY 2004: Effective
Lead Bureau	◆ Population, Refugees, and Migration (PRM)
Major Findings/Recommendations	◆ Department should use "Framework of Cooperation" to set policy priorities and common objectives. ◆ Department should work with UNHCR to establish an integrated financial system. Establish efficiency measure.
Actions Taken/Planned	◆ Framework was signed on February 12, 2004. Consultations between Department and UNHCR occur regularly to review progress; last consultation occurred in July 2004. ◆ System was launched in phases, beginning with Finance and Supply Chain (FSC) in 2004, followed by Human Resources and Payroll in 2005. FSC was launched on January 30, 2004. Efficiency measure established and approved by OMB.

STRATEGIC GOAL 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Program Name	Worldwide Security Upgrades
Ratings	◆ CY 2003: Moderately Effective ◆ CY 2004: Effective
Lead Bureau	◆ Diplomatic Security (DS)
Major Findings/Recommendations	◆ Develop effective annual goals and targets. ◆ Work to develop performance measures for major programs to support annual performance goals and ensure long-term effectiveness.
Actions Taken/Planned	◆ Develop effective annual goals and targets. ◆ Baseline performance measures now developed for major programs to support annual performance goals and ensure long-term effectiveness.

THE PRESIDENT'S MANAGEMENT AGENDA

AND MANAGEMENT CHALLENGES

THE PRESIDENT'S MANAGEMENT AGENDA

The Department has made substantial progress on all five of President's Management Agenda (PMA) initiatives. Each quarter, the Office of Management and Budget (OMB) releases an executive scorecard that rates progress and overall status in each of the President's Management Agenda initiatives. The progress and status ratings use a color-coded "stop-light" system that is based on OMB standard criteria used to assess all agencies. As of September 2004, the Department achieved five "green" scores for progress on implementation. With respect to overall status, the Department has made significant improvements in several areas, with the status scores for Strategic Management of Human Capital, Budget and Performance Integration, and Expanded Electronic Government now at "green." The following is a brief overview of the Department's overall PMA progress:

Progress | **BUDGET AND PERFORMANCE INTEGRATION** | **Status**

◆ **Goal**
- Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is to have better control over resources and greater accountability over results.

◆ **Progress During FY 2004**
- Fully integrated all Program Assessment Rating Tool (PART) elements into planning documents (Department & Bureau Performance Plans) and created efficiency measures for all PART designated programs.
- Developed Quarterly Management Reports to ensure performance information is used to make decisions on a regular basis and address marginal cost issues.
- Developed Knowledge Management repository for PART information.
- Completed Version one Pilot of the Dashboard Reporting Module, an executive reporting tool that will allow the sharing of performance and budget data among other agencies with foreign affairs programs.

◆ **Upcoming Actions**
- Further institutionalization of PART and expand program evaluation.
- Create Congressional justification documents that better link performance goals to resource requests.
- Further develop Central Financial Planning System modules including the Bureau Resource Management System, the Bureau Allotment Control System, the Bureau Reimbursement Management module, and the Planning and Performance module (Dashboard) to include PART reports.
- Automation of Quarterly Management Reports in the Bureau Performance Plan application.

Progress | **STRATEGIC MANAGEMENT OF HUMAN CAPITAL** | **Status**

◆ **Goal**
- Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives and goals.

◆ **Progress During FY 2004**
- Implemented third year of the Diplomatic Readiness Initiative that increases personnel strength, improves recruitment, and streamlines hiring process.
- Completed third year of mandatory leadership and management training initiative; and delivered expanded training in public diplomacy, consular affairs, and foreign languages.
- Updated comprehensive Human Capital Plan to 1) incorporate strategic milestones for restructuring/process redesign, 2) incorporate Domestic Staffing Model (DSM) findings, and 3) ensure alignment with the Department's Strategic Plan.
- Completed implementation assessment report on first year of accountability system.

◆ **Upcoming Actions**
- Implement Operational Readiness plans to increase the numbers of employees with skills needed to respond to new foreign policy challenges through development of expanded skills databases and plans for more rapid identification and deployment of personnel – including retirees, contractors, and Foreign Service Nationals.
- Implement pay for performance system for Senior Executive Service and Senior Foreign Service.
- Complete strategic human capital milestone plan for OMB's "Proud to Be" II.

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COMPETITIVE SOURCING

Progress · **Status**

◆ **Goal**
- Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions.

◆ **Progress During FY 2004**
- Established transparent web-based collaborative FAIR Act Inventory process and submitted inventory on time.
- Completed five streamlined competitions within the OMB mandated timeframes.
- Completed groundwork in preparation for announcing first standard competition.

◆ **Upcoming Actions**
- Complete the challenge and appeals process for 2004 inventory.
- Announce first standard competition by end of first quarter FY 2005, and complete two additional streamlined competitions by end of second quarter FY 2005.

IMPROVED FINANCIAL PERFORMANCE

Progress · **Status**

◆ **Goal**
- World-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people.

◆ **Progress During FY 2004**
- The Department's FY 2004 Financial Statements received an unqualified opinion, marking the eighth consecutive unqualified opinion, and were issued by the accelerated deadline of November 15, 2004. The Independent Auditor's Report cited no material weaknesses in internal controls.
- The Department's FY 2003 Performance and Accountability Report received the prestigious Certificate of Excellence in Accountability Reporting (CEAR) Award.
- The Secretary issued the Department's second consecutive unqualified Statement of Assurance under the Federal Managers' Financial Integrity Act.
- Relocated the majority of Washington, DC-based financial operations to the Charleston Financial Service Center.
- The collaborative effort between the Department and USAID to establish a common financial systems platform for the beginning of FY 2006 continued on schedule.

◆ **Upcoming Actions**
- Complete consolidation of Washington, DC-based financial operations to the Charleston Financial Service Center.
- Collaboration with USAID to establish a common financial systems platform by the beginning of FY 2006.

EXPANDED ELECTRONIC GOVERNMENT

Progress · **Status**

◆ **Goal**
- Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulation), so that Americans can receive high-quality government service.

◆ **Progress During FY 2004**
- Completed the certification and accreditation project that resulted in full authorization of 5 general support systems, 133 major applications and 25 non-major applications. This met the FY 2004 project objective of authorizing 90% of the Department's systems by August 31 and was achieved one and one half months early.
- Department and USAID completed a joint "As-Is" Enterprise Architecture with State also completing its "To-Be" Enterprise Architecture.
- Signed a Memorandum of Understanding (MOU) on 15 of the 25 Government wide initiatives in the PMA: E-Records management, GoLearn (e-Training); E-Travel; SBA Business Gateway, USA Services Working Agreement, GovBenefits.gov, Grants.gov, E-Rulemaking, Federal Asset Sales, E-Clearance, E-Payroll, Integrated Acquisition Environment (IAE), Recruitment One-Stop, E-Authentication and Human Resource Management.

◆ **Upcoming Actions**
- Complete the Joint State/USAID Enterprise Architecture to drive decisions on Information Technology investments.
- Reach agreement on selected payroll provider as prescribed by e-Payroll.
- The Department continues to participate in 20 of OMB's 25 "Quicksilver" initiatives that will consolidate and improve various functions government wide.

MANAGEMENT CHALLENGES

The Government Accountability Office and the Department's Office of Inspector General have identified several management challenges that represent areas where the Department must improve operations. The tables below list, by Strategic Goal, the major challenges and corresponding actions that the Department is taking in response to them.

STRATEGIC GOAL 3	HOMELAND SECURITY
Challenge	Visa Processing and Border Security
Major Recommendations	◆ Develop a written government-wide policy that clearly defines roles and responsibilities and sets performance standards. ◆ Address outstanding legal and policy issues in this area or provide Congress with specific actions to resolve the legal and policy issues.
Major Actions Taken or That Will be Taken	◆ In April and May, State revised its procedures and formalized its tracking system for visa revocation cases. ◆ State and DHS also took some steps to address legal and policy issues related to visa revocations.

STRATEGIC GOAL 6	AMERICAN CITIZENS
Challenge	Secure Passport Issuance
Major Recommendations	◆ Design and implement a quality assurance program to identify trends and issues that require more training and information sharing. ◆ The Department transfers oversight of the overseas passport issuance program to the Directorate of Passport Services to make overseas passport procedures consistent with the restrictions currently being placed on domestic passport processing or submit an acceptable alternate plan. ◆ Create a mentoring program designed specifically to address the unique passport decision challenges facing junior officers assigned to a mission where little or no other consular expertise is readily available.
Major Actions Taken or That Will be Taken	◆ Consular Affairs (CA) disagrees with the assessment that citizenship decisions are inconsistent for first time passport applicants overseas. While the Department is working to reduce the differences between how some overseas posts annotate passport applications, adjudication of citizenship and the criteria for passport issuance are consistent worldwide. ◆ CA has established a standing committee to ensure ongoing collaboration on all passport matters. The post-adjudication review of passport applications adjudicated at posts is taking place both at posts and in Washington. The Department has reminded consular officers to annotate passport applications carefully and completely to continue to conduct post-adjudication reviews of passport applications as part of their management of passport operations at post. These reviews at post mirror those done in passport agencies. ◆ In early FY 2004, country officers again reminded posts via e-mail of the importance of thorough annotation and review of U.S. passport applications. In addition to reviews at posts, additional post-adjudication review of a representative sampling of overseas passport applications began in early 2004. The Department has discovered 5 major (1%) and 72 (15%) minor problems. These percentages are comparable to those found in similar reviews done in domestic Passport Agencies. The Department is providing direct feedback to those posts with major problems and will be incorporating the most common minor problems in future guidance to posts.

STRATEGIC GOAL 11	PUBLIC DIPLOMACY AND PUBLIC AFFAIRS
Challenge	Communication with the Muslim Public
Major Recommendations	◆ The Department should develop a strategy to integrate its public diplomacy efforts and direct them toward common, measurable objectives.
Major Actions Taken or That Will be Taken	◆ The Muslim World Outreach (MWO) Policy Coordinating Committee was created and began meeting on August 2, 2004, as a priority Administration initiative to coordinate new and intensified USG approaches to Muslim communities worldwide. ◆ A Task Force took effect at the same time to coordinate implementation. ◆ Several working groups were formed to develop new uses of electronic media technology and approaches using selected countries in different geographic regions as pilot models, refine USG counter-disinformation activities and take better advantage of available survey research and intelligence.

STRATEGIC GOAL 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Challenge	Leadership and Staffing at Hardship Posts
Major Recommendations	◆ The Director-General should prepare precepts for the selection of ambassadors and DCMs for hardship posts that place a strong emphasis on leadership qualities, including the ability to motivate and encourage staff, and to teach subordinates to set priorities and be self-reliant. ◆ The Director-General and the Foreign Service Institute should require individuals taking assignments as DCMs to take a new leadership and management class before going to post. ◆ Develop and implement a formal program for temporary duty personnel that involves up-to-date training and the development and maintenance of a work plan for each post to which more than one temporary duty employee is sent in succession for the same position. ◆ Develop procedures to retain Civil Service personnel who perform well at African hardship posts.
Major Actions Taken or That Will be Taken	◆ Last year's DCM/Management Officer Conference (Capetown, March 2004) included joint and individual sessions on leadership, conducted by FSI's School of Leadership and Management professionals. The Department is working closely with FSI to design expanded sessions for the upcoming DCM/Management Conference (Johannesburg, January, 2005), with focus on mentoring and crisis leadership. ◆ October 2004 Bureau of African Affairs Chief of Mission Conference included a leadership session focusing on identification and implementation of best practices. Breakout groups discussed strategies for promoting community welfare and post morale; on-the-job training for entry-level officers and Foreign Service Nationals; and maximizing use of retirees and regional support staff. ◆ As outgoing Ambassadors and DCMs have come through the bureau for consultations, the Department has emphasized that evaluation of their performance will be based on their ability to demonstrate sound leadership and morale-building skills. The Department will continue at conferences and during individual consultations to emphasize the importance of these skills and to provide training. AF will work with FSI to determine what additional training/briefings may be the most useful. ◆ The Department is in the process of developing a memorandum of understanding template for use at each post that receives retiree or temporary duty (TDY) assistance. The purpose will be to design a specific, prioritized work plan for the temporary employee. The Department is also developing templates for reporting accomplishments during the period of temporary duty and priorities for a follow-on work plan. In addition, the Department is considering how best to evaluate the skills and effectiveness of our various retiree and TDY staff, so that the Department can make the best use of their talents.

Continued

STRATEGIC GOAL 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE *(continued)*
Challenge	**Overseas Building Security**
Major Recommendations	◆ Concurrent construction of State and USAID facilities to the maximum extent possible. ◆ Incorporate USAID space into single office buildings in future compounds, where appropriate. ◆ Designing additional space for USAID within the main office building, or chancery, may cost less than erecting a separate annex, depending on a number of factors, including the size and configuration of the planned buildings. ◆ Concurrent construction would help State and USAID comply with the collocation requirement and decrease the security risks associated with staff remaining outside of the embassy compound.
Major Actions Taken or That Will be Taken	◆ State agrees there are substantial advantages to concurrent construction project execution if a new cost-sharing proposal to fund new embassies by allocating construction costs among all agencies having an overseas presence is implemented in FY 2005.
Challenge	**Administrative Support Services**
Major Recommendations	◆ Eliminate duplicative administrative support structures where possible. ◆ Reengineer processes by seeking innovative managerial approaches. ◆ Develop strategies to improve International Cooperative Administrative Support Service (ICASS) accountability. ◆ Ensure that all personnel participating in ICASS receive detailed training.
Major Actions Taken or That Will be Taken	◆ The State/USAID Joint Management Council study, in conjunction with the ICASS service center, demonstrated the clear opportunity State and USAID have to improve service and reduce costs through consolidation of services at many overseas posts. ◆ State/USAID Shared Services Pilot project to designate one service provider for selected services at selected posts. ◆ ICASS Executive Board focus on cost and service alignment. ◆ First Annual ICASS Customer Satisfaction Survey.
Challenge	**Human Capital**
Major Recommendations	◆ Collect and maintain data on the effectiveness of the Department's efforts to address continuing gaps in officers with proficiency in certain hard-to-learn languages.
Major Actions Taken or That Will be Taken	◆ State used critical elements of workforce planning to identify the number of junior officers it needs to hire within the next 5 to 10 years. ◆ State has implemented a plan to target applicants who speak difficult languages. Since March 2004, 125 people with proficiency in languages critical to national security have been hired as Foreign Service Generalists. Their languages include Russian, Chinese, Japanese, Arabic, Korean, Turkish, and Hindi. Proficiency in approximately a dozen Critical Needs Languages gives candidates for employment additional points in the hiring process. These officers are expected to use their language during their first or second assignments. ◆ The Diplomatic Readiness Initiative alleviated many staffing shortfalls, which in turn allowed more officers to attend training, such as Public Diplomacy training. State launched a new public diplomacy training program, expanding PD training from 3 weeks to as much as 19 weeks. The shortage of mid-level officers, which results in more stress on the role of the supervisor, will be alleviated as the Diplomatic Readiness Initiative hires move to mid-level positions.

PASSPORT

Coming Soon!

AT THE STATE DEPARTMENT

RENOVATION OF THE WAR DEPARTMENT WING OF THE MAIN STATE BUILDING AND THE RESTORATION OF THE GEORGE C. MARSHALL OFFICE

The New War Building was erected under provisions of an act of Congress from 1939-1941 for the War Department. The Department of State moved into the New War Building, renamed New State Building, in 1947, when General George C. Marshall entered as Secretary of State. In the new building, the Secretary's office was a large two-story room, with a private elevator on the fifth floor overlooking the main entrance on 21st street. The entire New State section of the building was renamed the George C. Marshall Wing in 2001.

The Marshall Wing is currently being completely renovated to reverse the deteriorating condition of the building by replacing the antiquated building systems, upgrading the building to comply with current building standards and integrating state of the art building technology improvements to last well into the 21st century. Office space is being improved to provide a better quality of work life, while the significant original spaces and materials are retained and rehabilitated to preserve the historic qualities of the building. Restoration of the original two-story office occupied by Secretary Marshall and construction of a new Conference Center, Auditorium and Computer Center highlight the renovation and rehabilitation project.

NATIONAL MUSEUM OF AMERICAN DIPLOMACY

The Department has also dedicated space in the renovated wing for a museum of American diplomacy, a place for learning and inspiration, dedicated to exploring the history, practice, and challenges of American diplomacy. It will engage visitors in learning how American diplomacy builds bridges among nations and people, in exploring the vital role it has played in the shaping of our nation, and understanding its importance to every person every day. The Museum will bring to life the dramatic and moving stories of the people who have dedicated their lives to American diplomacy.

Supported by Secretary Powell and all the living former Secretaries, the Department of State Visitor Center and National Museum of American Diplomacy will invite visitors to explore the history, practices, and challenges of American diplomacy. It will convey the message that diplomacy, which seems so abstract and remote to many, affects every person every day.

FINANCIAL SECTION

FINANCIAL HIGHLIGHTS

T he Department's financial statements received for the eighth straight year an unqualified opinion issued by the independent accounting firm of Leonard G. Birnbaum and Company, LLP. Preparing these statements is part of the Department's goal to improve financial management and to provide accurate and reliable information for assessing performance and allocating resources. Department management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

(Dollars In Thousands)	% Change 2004 over 2003	2004	2003
At End of Year:			
Condensed Balance Sheet Data:			
Investments, Net	+4%	$ 12,846,060	$ 12,301,173
Fund Balances With Treasury	+20%	11,926,434	9,953,197
Property and Equipment, Net	+6%	6,323,916	5,996,493
Other	+30%	833,465	643,783
Total Assets	+11%	$ 31,929,875	$ 28,894,646
Foreign Service Retirement Actuarial[1]	+2%	$ 13,317,900	$ 13,093,800
Liability to International Organizations	-2%	897,381	919,428
Other	+21%	2,142,779	1,767,908
Total Liabilities	+4%	16,358,060	15,781,136
Unexpended Appropriations	+22%	9,279,214	7,608,996
Cumulative Results of Operations	+14%	6,292,601	5,504,514
Total Net Position	+19%	15,571,815	13,113,510
Total Liabilities and Net Position	+11%	$ 31,929,875	$ 28,894,646
For the Year:			
Total Cost	+13%	$ 13,761,645	$ 12,222,640
Total Earned Revenue	-1%	(3,121,078)	(3,163,023)
Total Net Cost of Operations	+17%	$ 10,640,567	$ 9,059,617

Total Assets (in Billions)
FY 2004 / FY 2003 / FY 2002

Total Liabilities (in Billions)
FY 2004 / FY 2003 / FY 2002

Total Net Position (in Billions)
FY 2004 / FY 2003 / FY 2002
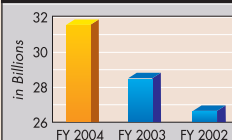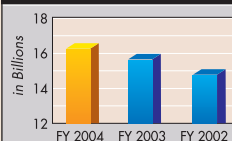
Total Net Cost of Operations (in Billions)
FY 2004 / FY 2003 / FY 2002
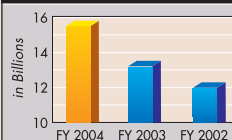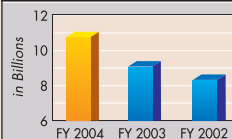
[1] The Department administers the operations of the Foreign Service Retirement and Disability Fund. This Fund provides annuities to retired members of the Foreign Service (or their survivors).

OVERVIEW OF FINANCIAL POSITION

Assets. The Department had total assets of $31.9 billion at the end of 2004. This represents an increase of $3.0 billion (10.4%) over the previous year's total assets of $28.9 billion. The increase is primarily the result of increases of $2.0 billion in Fund Balances with Treasury, $327.4 million in property and equipment, and $544.9 million in investments in the Foreign Service Retirement and Disability Fund (FSRDF). The increase in Fund Balances with Treasury primarily resulted from a $1.7 billion increase in unexpended appropriations.

Investments, Fund Balances with Treasury and Property and Equipment comprise approximately 97% of total assets for 2004, 2003, and 2002. Investments consist almost entirely of U.S. Government Securities held in the FSRDF.

Assets by Type

- 37.4%
- 0.4%
- 2.2%
- 19.8%
- 40.2%

Investments; Fund Balances with Treasury; Property and Equipment; Receivables; Other Assets

Liabilities. The Department had total liabilities of $16.4 billion at the end of 2004. The Foreign Service Retirement Actuarial (FSRA) Liability of $13.3 billion and the Liability to International Organizations of $897.4 million comprise 87% of the Department's total liabilities at the end of 2004.

Liabilities by Type

- 81.4%
- 5.5%
- 7.8%
- 5.3%

FSRA Liability; Liability to International Organizations; Accounts Payable; Other Liabilities

Of the total liabilities, $1.80 billion were unfunded, i.e., budgetary resources were not available to cover these liabilities. The $1.80 billion is primarily comprised of the $897.4 million Liability to International Organizations, and the unfunded portion of the FSRA Liability of $345.8 million, which represents the amount by which the $13.3 billion FSRA Liability exceeds the FSRDF's net assets available to pay the liability. The $345.8 million unfunded portion of the FSRA Liability is $308.0 million less than the $653.8 million unfunded FSRA Liability at the end of 2003.
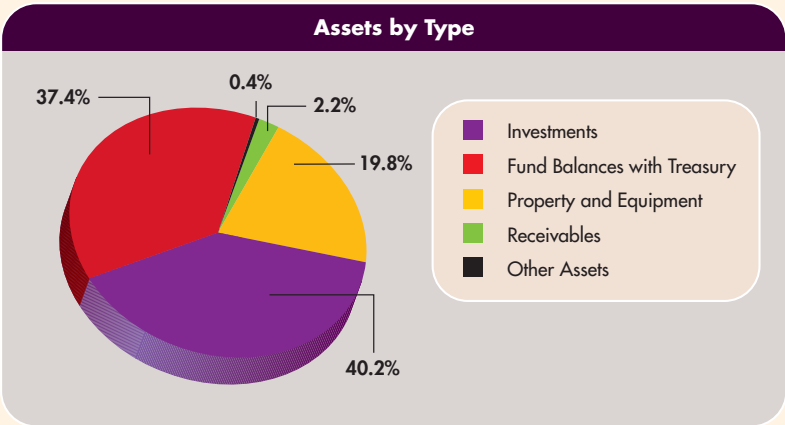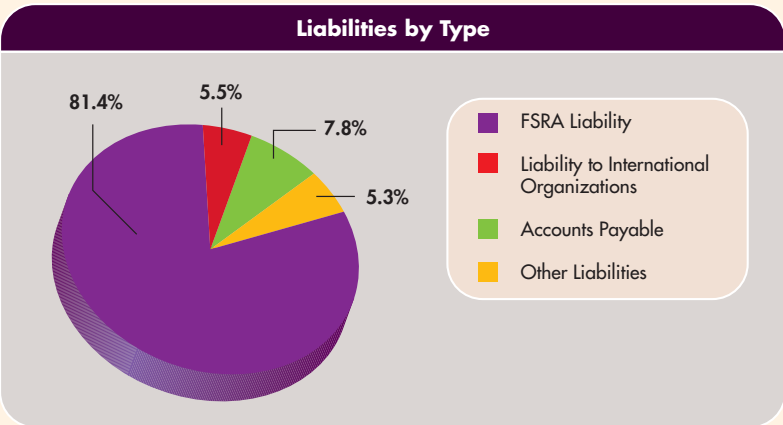
The $897.4 million Liability to International Organizations consists of $837.4 million in calendar year 2004 annual assessments, and $60.0 million in accumulated arrears assessed by the UN, its affiliated agencies and other international organizations. These financial commitments mature into obligations only when funds are authorized and appropriated by Congress.

As of September 30, 2004, a total of $926 million had been appropriated by Congress for payment of U.S. arrearages. These amounts, however, were made available subject to certifications by the Secretary of State that certain legislative requirements were met. A payment of $100 million in arrearages was made in FY 2000; a payment of $475 million and a credit of $107 million were made in FY 2002; and payments totaling $242 million were made in FY 2003.

Ending Net Position. The Department's Net Position at the end of 2004 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position is $15.6 billion, a $2.5 billion (18.7%) increase from the previous fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

The growth in Unexpended Appropriations is due principally to the continued increase in budget authority received to provide funding for Iraq and the Global HIV/AIDS initiative. The increase in Cumulative Results of Operations resulted mainly from the $327 million increase in property and equipment. The Cumulative Results of Operations also increased as a result of the reduction in the FSRDF unfunded pension liability of $308 million.

The Department's total net cost of operations for 2004, after intra-departmental eliminations, was $10.6 billion. The strategic objective to "Achieve Peace and Security" represents the largest investment for the Department at 46.5% of the Department's net cost of operations. The net cost of operations for the remaining strategic objectives varies from 13.2% to 23.3%.

RESULTS OF OPERATIONS

Where Funds Go - Net Program Costs *(Dollars in Thousands)*

$ 2,510,429
$ 1,421,063

- Achieve Peace and Security
- Advance Sustainable Development and Global Interests
- Promote International Understanding
- Executive Direction and other Costs not Assigned

$ 4,946,016
$ 1,763,059

$ 10,640,567
Total Net Cost
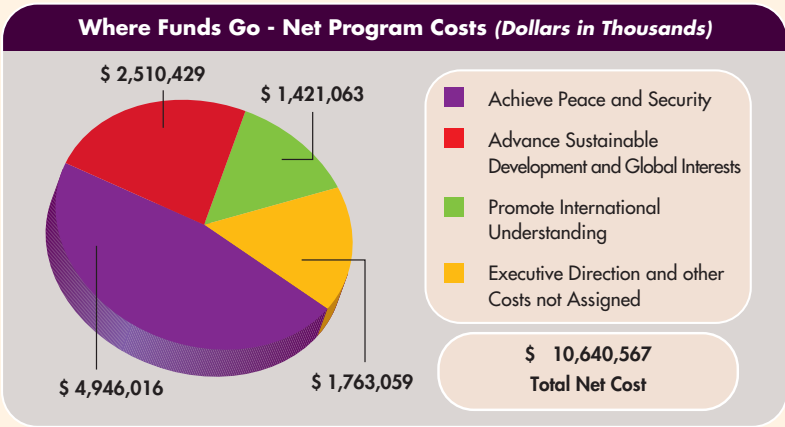
The Combined Statement of Budgetary Resources provides information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For the fiscal year, the Department had total budgetary resources of $21.3 billion, an increase of 21% from 2003 levels. Budget Authority of $14.8 billion – which consists of $13.6 billion for appropriations (direct, related, and supplemental) and transfers, and $1.2 billion financed from trust funds – comprise 70% of the total budgetary resources. The Department incurred obligations of $17.9 billion for the year, a 20% increase over the $14.9 billion of obligations incurred during 2003. Outlays reflect the actual cash disbursed against the Department's obligations.

Where Funds Come From *(Dollars in Thousands)*

$ 13,569,648
$ 1,187,038
$ 3,112,542

- Appropriations and Transfers
- Reimbursements Earned
- Trust Funds
- Other

$ 3,462,993

$ 21,332,221
Total Budget Resoures
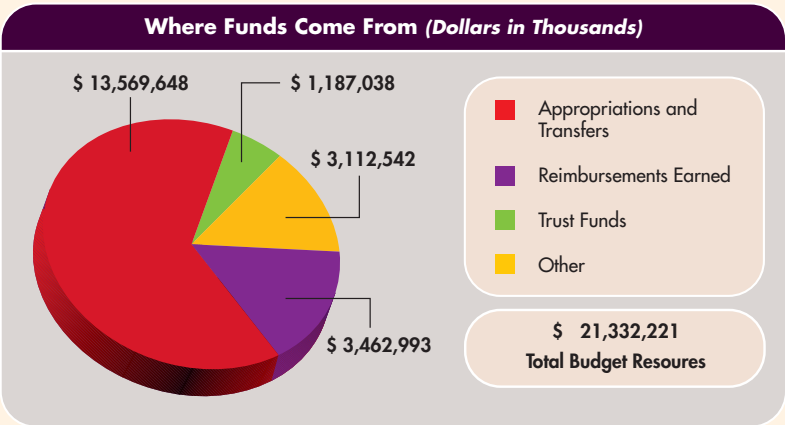
BUDGETARY POSITION

The FY 2004 budget for the Department of State totaled $9.164 billion, including appropriations for the administration of foreign affairs ($7.334 billion), contributions to international organizations and peacekeeping activities ($1.695 billion), international commissions ($57 million), and related programs ($78 million). Appropriations for the administration of foreign affairs support the people and programs required to conduct American diplomacy at more than 260 posts worldwide. They also build, maintain, and secure the infrastructure of the diplomatic platform from which most U.S. Government agencies overseas operate.

The Federal Government Dollar

- 38% — Medicaid, Medicare, Other Entitlements & Mandatory Programs
- 1% — International Affairs
- 21% — Social Security
- 14% — Non-Defense Discretionary
- 19% — National Defense
- 7% — Net Interest

Source: Mid-Session Review, Budget of the United States Government, Fiscal Year 2005.
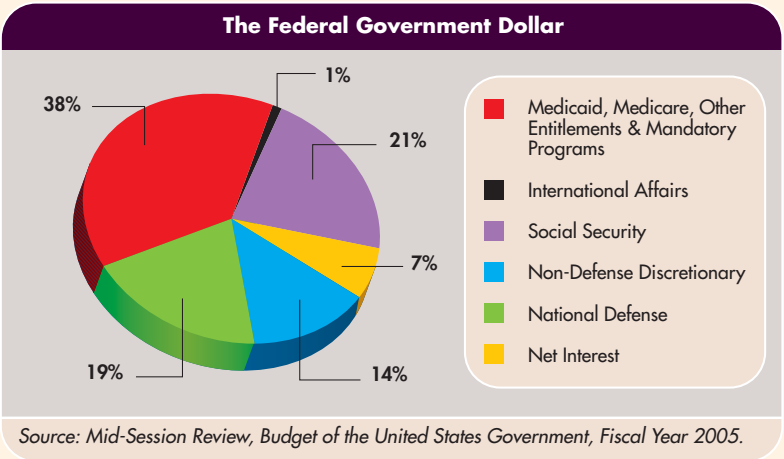
America's Best Guesses

Public Estimates on Foreign Policy Issues

Topic	U.S. Perception	Reality
Percentage of U.S. Budget going to foreign aid	20 percent	Less than 1 percent

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In addition to regular funding from the Consolidated Appropriations Act, 2004, the Department's budget included supplemental funding received through the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, and the Department of Defense Appropriations Act, 2005. The Department also continues to rely on Machine Readable Visa (MRV), Expedited Passport, and other user fee collections to enhance the nation's border security and help meet consular workload demands, as well as to invest in modern information technology systems. All of these resources are essential to accomplish two overriding objectives of the President's foreign policy: winning the war on terrorism and protecting Americans at home and abroad.

For FY 2004, the Department's principal operating appropriation – Diplomatic and Consular Programs (D&CP) – was funded at $5.197 billion. This funding met new requirements for missions in Afghanistan and Iraq. It also supported the third year of the Diplomatic Readiness Initiative (DRI) to recruit, hire, train, and deploy additional professionals around the world. The appropriation and transfers, along with MRV fees, made it possible to hire a total of 556 new employees (above anticipated attrition), including 310 for DRI positions, 68 Foreign Service officers to enhance the security of U.S. borders through visa adjudication at posts overseas, 93 consular hires to address workload increases in the Border Security Program, and 85 security professionals.

Within the D&CP appropriation, the Department received $640 million for the Worldwide Security Upgrades program. This funding continued security enhancements begun with the FY 1999 Emergency Supplemental, including guard protection, physical security equipment and technical support, information and systems security, and personnel and training.

The Embassy Security, Construction, and Maintenance appropriation was funded at $1.441 billion to manage the Department's real estate portfolio, which exceeds $12 billion and includes over 15,000 properties, and to provide U.S. diplomatic and consular missions with secure, safe, and functional facilities. This funding included $852 million for capital security construction and compound security projects, $64 million for other high-priority construction projects, and $524 million for ongoing operations.

The Department's funding for information technology ($79 million in the Capital Investment Fund and $40 million in D&CP for Worldwide IT Infrastructure) helped provide modern information technology to every Department employee. This funding supported completion of OpenNet Plus, a modernized unclassified system with Internet access to over 43,000 desktops, and the deployment of a modernized classified computing capability at more than 220 eligible posts worldwide.

For FY 2005, the Department's budget request (at this date still pending before Congress) includes resources to continue to meet the priorities of supporting the war on terrorism and sustaining diplomatic readiness. The request includes $1.571 billion for enhanced security and the war on terrorism, including $912 million for design and/or construction of secure facilities, additional site acquisitions, and compound security projects; and $659 million to strengthen the security of diplomatic personnel and facilities in the face of terrorism, including upgrades of security equipment and technical support, information and systems security, perimeter security, and security training.

The request also includes funds to hire 377 additional Americans, including 183 staff to answer needs beyond those anticipated by DRI (such as staffing for embassies in Kabul and Baghdad), 71 security professionals, 63 Foreign Service officers to replace consular associates, and 60 consular officers funded by fees. The Department's request of $155 million for the Capital Investment Fund allows for continued investment in state-of-the-art IT systems worldwide, including the State Messaging and Archive Retrieval Toolset (SMART) initiative, which will replace outdated systems for cables and messages with a unified and more secure system to serve inter-agency information needs.

Secretary of the German Foreign Office Klaus Scharioth, German Minister of the Interior Otto Schily, U.S. Ambassador to Germany Daniel Coats, Director of Overseas Buildings Operations Charles Williams, and Berlin Mayor Klaus Wowereit, from left, during the groundbreaking ceremony of the new U.S. Embassy at Paris Square.
© AP/ Wide World Photos

MANAGEMENT CONTROLS, FINANCIAL MANAGEMENT SYSTEMS

AND COMPLIANCE WITH LAWS AND REGULATIONS

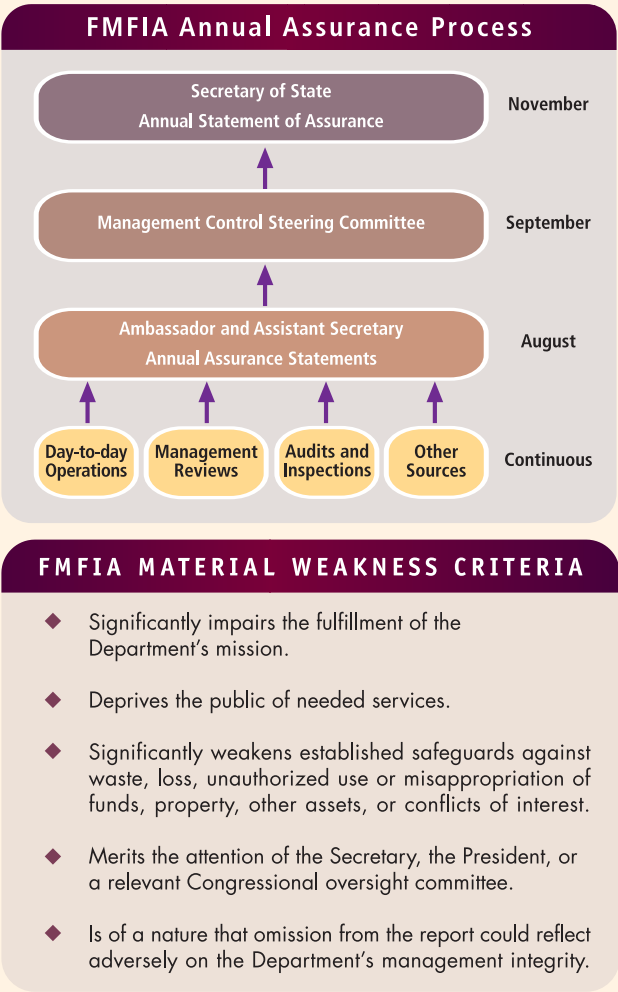### FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish management control and financial systems that provide reasonable assurance that the integrity of federal programs and operations are protected. It also requires that the head of the agency, based on an evaluation, provide an annual Statement of Assurance on whether the agency has met this requirement.

The Secretary of State's unqualified Statement of Assurance for FY 2004 is included in the Message from the Secretary located at the beginning of this Report. The Department evaluated its management control systems and financial management systems for the fiscal year ended September 30, 2004. This evaluation provided reasonable assurance that the objectives of the FMFIA were achieved in FY 2004, and formed the basis for the Secretary's Statement of Assurance.

Management Control Program

The Management Control Steering Committee (MCSC) oversees the Department's management control program. The MCSC is chaired by the Chief Financial Officer, and is composed of nine other Assistant Secretaries [including the Chief Information Officer and the Inspector General (non-voting)], the Deputy Chief Financial Officer, and the Deputy Legal Advisor. Individual assurance statements from Ambassadors assigned overseas and Assistant Secretaries in Washington, D.C. serve as the primary basis for the Department's assurance that management controls are adequate. The assurance statements are based on information gathered from various sources including the managers' personal knowledge of day-to-day operations and existing controls, management program reviews, and other management-initiated evaluations. In addition, the Office of Inspector General and the Government Accountability Office conduct reviews, audits, inspections, and investigations.

To be considered a material weakness in management control systems for FMFIA reporting purposes, the problem should be significant enough that it meets one or more of the FMFIA material weakness criteria. The chart describes the criteria that the Department uses for the FMFIA review.

FMFIA Annual Assurance Process

Secretary of State Annual Statement of Assurance	November
↑	
Management Control Steering Committee	September
↑	
Ambassador and Assistant Secretary Annual Assurance Statements	August
↑ ↑ ↑ ↑	
Day-to-day Operations • Management Reviews • Audits and Inspections • Other Sources	Continuous

FMFIA MATERIAL WEAKNESS CRITERIA

◆ Significantly impairs the fulfillment of the Department's mission.

◆ Deprives the public of needed services.

◆ Significantly weakens established safeguards against waste, loss, unauthorized use or misappropriation of funds, property, other assets, or conflicts of interest.

◆ Merits the attention of the Secretary, the President, or a relevant Congressional oversight committee.

◆ Is of a nature that omission from the report could reflect adversely on the Department's management integrity.

Status of Management Controls

During the last five years, the Department made significant progress by correcting all outstanding material weaknesses. In addition, there are no items specific to the Department on the Government Accountability Office's High Risk List, and there have not been any since 1995. The following table shows the Department's progress during the past five years with correcting and closing material weaknesses.

NUMBER OF MATERIAL WEAKNESSES BY FISCAL YEAR				
Fiscal Year	Number at Beginning of Fiscal Year	Number Corrected	Number Added	Number Remaining at End of Fiscal Year
2000	3	2	2*	3
2001	3	0	0	3
2002	3	3	0	0
2003	0	0	0	0
2004	0	0	0	0

* Reported by the Department of State as a result of the merger with the United States Information Agency.

Status of Financial Management Systems

For financial systems, the MCSC voted to close in FY 2003 the Department's one remaining material nonconformance - Financial and Accounting Systems. This was the first time since the inception of the FMFIA that the Department had no open material nonconformances – a significant accomplishment. No new material nonconformances were identified by the MCSC during FY 2004. As a result, the Secretary has provided an unqualified Statement of Assurance for the second year in a row regarding the Department's financial management systems. A summary of actions taken to correct and close the one previously reported material nonconformance is provided in the *Performance and Accountability Report for FY 2004*.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that agencies' financial management systems provide reliable financial data in accordance with generally accepted accounting principles and standards. Under FFMIA, financial management systems must substantially comply with three requirements — Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL). In addition, agencies must determine annually whether their systems meet these requirements. This determination is to be made no later than 120 days after the earlier of (a) the date of receipt of the agencywide audited financial statement, or (b) the last day of the fiscal year following the year covered by such statement.

To assess conformance with FFMIA, the Department uses OMB Circular A-127 survey results, FFMIA implementation guidance issued by OMB, results of OIG and GAO audit reports, annual financial statement audits, the Department's annual Federal Information Security Management Act (FISMA) Report, and other relevant information. The Department's assessment also relies a great deal upon evaluations and assurances under the FMFIA, with particular importance attached to any reported material weaknesses and material noncomformances.

The Department has made it a priority to meet the objectives of the FFMIA. In December 2003, the Department determined that its financial systems comply substantially with the requirements of the FFMIA. This determination was made after considering (1) the audited financial statement results as of September 30, 2003, whereby the material weakness on Information Systems Security was reduced to a reportable condition, (2) the approval of the Management Control Steering Committee to close the longstanding FMFIA material noncomformance for our Financial and Accounting Systems, and (3) systems efforts completed in FY 2003 along with additional improvements to our financial systems in the first quarter of FY 2004.

The Department will make its FY 2004 FFMIA determination no later than March 2005 based upon receipt of the FY 2004 Independent Auditor's Report in November 2004.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The Federal Information Security Management Act of 2002 (FISMA) directs federal agencies to conduct annual evaluations of information security programs and practices. It provides a comprehensive framework for establishing and ensuring the effectiveness of security controls for information and information systems that support federal assets and operations. OMB provides annual guidance for agencies to report on the status of their respective programs. In accordance with FISMA, the CIO is responsible for the vision, implementation and status reporting of the information security program for the Department, while the Inspector General provides an independent evaluation. The Department of State also has substantial information security responsibilities under the Omnibus Diplomatic Security and Counterterrorism Act of 1986.

Under the direction of the Under Secretary for Management, the bureaus of Information Resource Management (IRM) and Diplomatic Security (DS) implement information security responsibilities jointly. In compliance with FISMA, the senior agency information security official, reporting to the CIO, manages the enterprise-wide information security program while operational program elements are dispersed between the two bureaus and across the Department.

The Department's FISMA Report for FY 2004, dated October 6, 2004, highlights significant accomplishments and also identifies areas of focus for program maturity. The Department's senior management remains committed to performance measures that illustrate continued and consistent improvement in all cyber security program elements. Significant accomplishments for FY 2004 include increased risk management by fully authorizing over 90% of major operational systems, enhanced performance measures, effective information security management procedures, improved security awareness, online security training, increased participation in security role-based training, acknowledgement of security professionals in incentive programs and upgrades in technology deployment, public key infrastructure and biometrics.

The area of focus for FY 2005 is the comprehensive coordination of cyber security program management plan. The Department's strategic goals require managing operational and technical cyber security program elements across its worldwide infrastructure. These elements include, enhancing the inventory of technology assets and developing meaningful policies and training for their usage, budgeting for security, balancing dynamic technology risk with business requirements, planning and providing for secure continuity of operations and designing security architecture based on complexities of the future.

IMPROPER PAYMENTS INFORMATION ACT

The Improper Payments Information Act of 2002 (IPIA), Public Law No.107-300, requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments. Significant improper payments are defined as annual improper payments in a program that exceed both 2.5% of program annual payments and $10 million. Once those highly susceptible programs and activities are identified, agencies are required to estimate and report the annual amount of improper payments. Generally, an improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, and administrative or other legally applicable requirement.

OMB Memorandum M-03-13, *Improper Payments Information Act,* requires agencies to report annually the estimated amount of improper payments and progress toward reducing them in their Performance and Accountability Reports beginning in FY 2004. This marks the first year for which the Department is reporting on our IPIA implementation efforts. In fulfilling this reporting responsibility, the Department followed OMB Memorandum M-04-20, *FY 2004 Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government.*

Our identification and determination of significant improper payments focused on the $15.3 billion expended by the Department during FY 2004, which is less than 1 percent of the projected $2.2 trillion expenditures for the entire federal government for the same time period. The Department's $15 billion is paid to thousands of employees, vendors and recipients of federal financial assistance to support the programs and activities of the Department.

As a result of our risk assessments, three programs were considered high-risk for FY 2004. We performed statistical sampling of payments made from each of these programs. The actual error rate was low for these programs with the exception of one program for which the estimated amount of improper payments is not significant.

In future years, the Department will expand the IPIA program to include programs assessed as having a moderate and low susceptibility to significant improper payments. We do not expect to find significant improper payments in these programs; however, we will seek to identify opportunities to strengthen internal control.

GOVERNMENT MANAGEMENT REFORM ACT - AUDITED FINANCIAL STATEMENTS

The Government Management Reform Act (GMRA) of 1994 amended the requirements of the Chief Financial Officers (CFO) Act of 1990 by requiring an annual preparation and audit of agency-wide financial statements from the 24 major executive departments and agencies. The statements are to be audited by the Inspector General (IG), or an independent auditor at the direction of the IG. An audit report on the principal financial statements, internal controls, and compliance with laws and regulations is prepared after the audit is completed.

The Department's 2004 financial statements received an unqualified opinion – the best possible result of the audit process. This year marks the eighth consecutive year that the Department's financial statements have achieved such an opinion. The Department significantly accelerated the preparation and audit of its 2004 financial statements and met OMB's November 15 due date – 45 days after the close of the fiscal year. This marks significant progress towards our goal of providing more timely, accurate, and useful financial information.

In relation to internal control, the Independent Auditor's Report cites four reportable conditions: (1) information systems security for networks in domestic operations, (2) inadequacy of the Department's financial management systems, (3) management of unliquidated obligations, and (4) implementation of Managerial Cost Accounting Standards. Reportable conditions are significant deficiencies, though not material, in the design or operation of internal control that could adversely affect the Department's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. For each year since 1997, the Independent Auditor's Report cited the first matter above relating to information systems security as a material weakness in internal control. The FY 2003 Independent Auditor's Report acknowledged that the Department's work towards correcting this deficiency was sufficiently advanced to reduce this weakness to a reportable condition. However, the Independent Auditor's Report states that the Department's financial management systems are not in substantial compliance with FFMIA.

The following table summarizes the weaknesses in internal control and compliance with laws and regulations cited in the FY 2004 Independent Auditor's Report, as well as the actions taken to resolve the problems. Each reported weakness relates to the Management and Organizational Excellence strategic goal and the target correction date for each is 2005.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDING

Reportable Condition	Corrective Actions
Information System Security Information system networks for domestic operations are vulnerable to unauthorized access. Consequently, other systems, including the Department's financial management systems, which process data using these networks, may also be vulnerable. This weakness was first reported based on penetration tests performed by the General Accounting Office (GAO) and was also cited in the audit opinion of the 1997 financial statements. The auditor reported this matter as a material weakness in internal control each year since 1997. For 2003, the auditor considered the Department's corrective actions sufficiently advanced to reduce this deficiency to a reportable condition.	The Department has implemented a comprehensive framework and process for lifecycle management of IT security. The framework and process allows for continual evaluation and improvement. Some of the major accomplishments include: ● Established and maintains a baseline inventory of applications. ● Developed and maintains a Department-wide plan of action and milestones (POA&M) to track corrective actions in mitigating security weaknesses. ● Deployed a layered Intrusion Detection System that enables Department security analysts to monitor and audit network and host information systems and detect inappropriate, incorrect on anomalous activity and issue warnings and alerts for possible unauthorized access to networks and systems worldwide. ● Implemented an effective risk management process of systems authorization, also known as Certification and Accreditation (C&A), and authorized 92% (163) of 178 major applications, minor applications, and general support systems. ● In FY 2004, delivered Web-based cyber security awareness training to nearly 49,000 users, approximately 99% of the Department's full-time employees, Foreign Service Nationals and contractors.
Management of Unliquidated Obligations The Department's internal control process related to managing undelivered orders is inadequate. It lacks a structured process for reconciling and deobligating funds in a timely manner, which may result in the loss of those funds.	As mentioned in the Independent Auditor's Report, the Department has made significant improvements in this area. The Unliquidated Obligation System was implemented in 2000. This system is updated periodically with detailed unliquidated obligations data and facilitates the monitoring, reporting and oversight of unliquidated obligations worldwide. In FY 2004, new capabilities to enhance the management of unliquidated obligations were installed in the Department's Central Financial Management System. The new capabilities can automatically deobligate unliquidated obligations based on a wide range of criteria (e.g., age, object class, dollar amount). In 2004, instructions and reports were issued to offices to review the billions of dollars in unliquidated obligations reported by the Department. The Department will continue to develop reports and procedures to improve the management of unliquidated obligations.
Compliance with Managerial Cost Accounting Standards While the Department complies with certain aspects of the Statement of Federal Financial Accounting Standards #4, it does not have an effective process to routinely collect managerial cost accounting information, establish outputs for each responsibility segment, or allocate all support costs.	The Department is making reasonable progress in implementing MCAS, but acknowledges that additional work is needed to fully comply with these standards. To address MCAS requirements, the Department developed an automated Statement of Net Cost that enables timely and accurate reporting of cost information by strategic goal and responsibility center including the allocation of support costs. In FY 2005, the Department will define significant outputs for each responsibility center, and support the reporting on significant efficiency measures established for programs in coordination with the Program Assessment Rating Tool (PART) process.
Noncompliance with Laws and Regulations	**Corrective Actions**
Financial and Accounting Systems The Department has identified and acknowledged serious weaknesses in its financial management systems. When first reported, the Department was charged with overseeing six financial management systems that support its domestic bureaus, overseas posts and other overseas agencies. The financial management systems nonconformance includes the following five weaknesses: deficiencies in data quality; noncompliance with JFMIP core requirements; ineffective interfaces; inadequate documentation and audit trails; and inadequate support of mission performance.	Significant progress has been made over the past few years to improve financial management systems worldwide. The Department has reduced the number of financial systems from six to two; decreased the number of post-level financial systems from nine to two; and re-centralized disbursing offices from 22 to two. In FY 2003, the Department's Management Control Steering Committee voted to close the material nonconformance for financial and accounting systems. In 2004, the two existing overseas accounting databases were merged into one database residing at the Charleston Financial Service Center — all overseas accounting transactions for both the Department of State and our serviced agencies are now recorded in a single database, and many operational/system activities (e.g., software upgrades, annual close outs) are performed only in one place.

RESOURCE HIGHLIGHTS

FY 2004 Funding
Total: $47.3 Billion

FY 2004 Enacted Levels
Total: $47.3 Billion

19%

81%
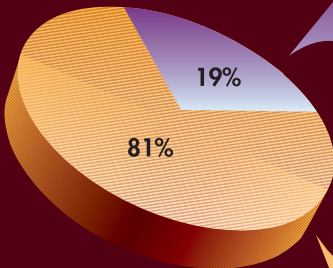
■ State Appropriations

■ Foreign Operations

FY 2004 State Appropriations: $9.2 billion

Appropriations for the Department of State fund the key components of the Department's operations and infrastructure, as well as U.S. engagement abroad through public diplomacy and international organizations.

Major Expenditure Categories

◆ **Administration of Foreign Affairs and Other Appropriations: $7.5 billion**

- Diplomatic and consular programs, public diplomacy, information technology investment, embassy security, construction and maintenance, educational and cultural exchanges, international commissions, and diplomatic activities.

◆ **International Organizations: $1.7 billion**

- Contributions to international organizations including assessed contributions to the UN and other international organizations and the U.S. share of expenses for UN peacekeeping operations.

FY 2004 Foreign Operations: $38.1 billion

Foreign Operations programs promote U.S. foreign policy interests that advance the global fight against terrorism; provide economic, military, and democracy assistance to key foreign partners and allies; promote international peace and prosperity; curb the spread of weapons of mass destruction; interdict drugs; and provide health and humanitarian assistance.

There are several categories of Foreign Operations funds that contribute to the achievement of the foreign policy goals of the U.S. Some Foreign Operations resources are administered by the Department and others by other agencies. In addition, the Department provides foreign policy guidance to certain other agencies whose resources are part of international affairs resources (Function 150).

Programs for Foreign Operations fall within four areas:

◆ **Export and Investment Assistance: ($95) million (Net of Offsetting Collections)**

- Funding for the Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency. Funding sustains and increases jobs in the United States by financing the exports of U.S. goods and services and by providing U.S. companies with project financing and funding for feasibility studies to level the international playing field for U.S. businesses operating overseas.

◆ **Bilateral Economic Assistance: $31.6 billion**

- Funding for humanitarian and disaster assistance programs, including demining, refugee, and migration assistance, and programs that support famine, natural disasters, and other unanticipated occurrences.

- Funding for programs that provide development and economic assistance to U.S. allies and funding to support child survival and health concerns, such as HIV/AIDS, and other infectious diseases.

- Funding for anti-terrorism and counterdrug programs.

- Funding for Security, Relief, Rehabilitation and Reconstruction in Iraq.

◆ **Military Assistance: $4.9 billion**

- Funding for the improvement of the capabilities of U.S. allies for the defense capabilities by financing the procurement of U.S. materiel and services, including the training of about 10,000 foreign military and civilian personnel in U.S. schools annually.

◆ **Multilateral Assistance: $1.7 billion**

- Funding for contributions to multilateral development banks; debt restructuring; and contributions to international organizations for sustainable development efforts to protect the environment, human rights, democracy, and the rule of law.

APPENDICES

DIRECTORY OF KEY OFFICIALS AND SENIOR MANAGEMENT

Colin L. Powell – Secretary of State

Richard L. Armitage – Deputy Secretary of State

John C. Danforth – United States Permanent Representative to the United Nations

Arms Control and International Security Affairs

John R. Bolton - *Under Secretary*

- Bureau of Arms Control – *Stephen G. Rademaker*
- Bureau of Political-Military Affairs – *Lincoln P. Bloomfield, Jr.*
- Bureau of Nonproliferation – *Susan F. Burk, Acting*
- Bureau of Verification and Compliance – *Paula A. DeSutter*

Economic, Business and Agricultural Affairs

Alan P. Larson - *Under Secretary*

- Bureau of Economic and Business Affairs – *E. Anthony Wayne*

Global Affairs

Paula J. Dobriansky - *Under Secretary*

- Bureau of Democracy, Human Rights and Labor – *Michael G. Kozak, Acting*
- Bureau of International Narcotics and Law Enforcement – *Robert B. Charles*
- Bureau of Oceans and International Environmental and Scientific Affairs – *John F. Turner*
- Bureau of Population, Refugees and Migration – *Arthur E. Dewey*

Management

Grant S. Green - *Under Secretary*

- Director General of Foreign Service and Director of Personnel – *W. Robert Pearson*
- Bureau of Administration – *William A. Eaton*
- Bureau of Consular Affairs – *Maura Harty*
- Bureau of Diplomatic Security – *Francis X. Taylor*
- Overseas Buildings Operations – *Charles E. Williams*
- Bureau of Information Resource Management, Chief Information Officer – *Bruce Morrison*
- Foreign Service Institute – *Katherine H. Peterson*

Political Affairs

Marc Grossman - *Under Secretary*

- Bureau of African Affairs – *Constance B. Newman*
- Bureau of East Asian and Pacific Affairs – *James A. Kelly*
- Bureau of European and Eurasian Affairs – *A. Elizabeth Jones*
- Bureau of Near Eastern Affairs – *William J. Burns*
- Bureau of South Asian Affairs – *Christina B. Rocca*
- Bureau of Western Hemisphere Affairs – *Roger F. Noriega*
- Bureau of International Organizational Affairs – *Kim R. Holmes*

Public Diplomacy and Public Affairs

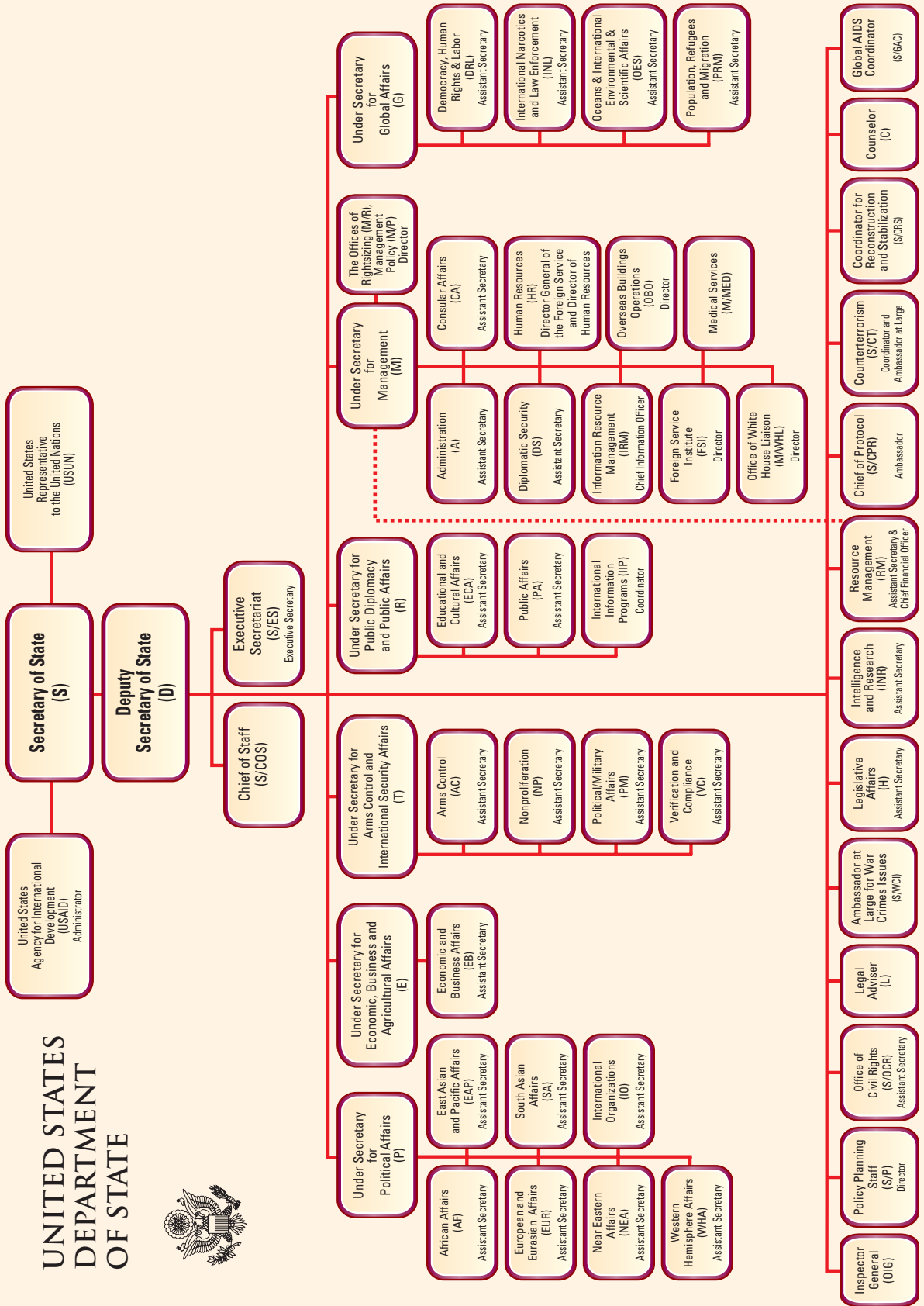**Patricia S. Harrison -** *Acting Under Secretary*

- Bureau of Public Affairs – *Richard A. Boucher*
- Bureau of Educational and Cultural Affairs – *Patricia De Stacy Harrison*
- Bureau of International Information Programs – *Alexander C. Feldman*
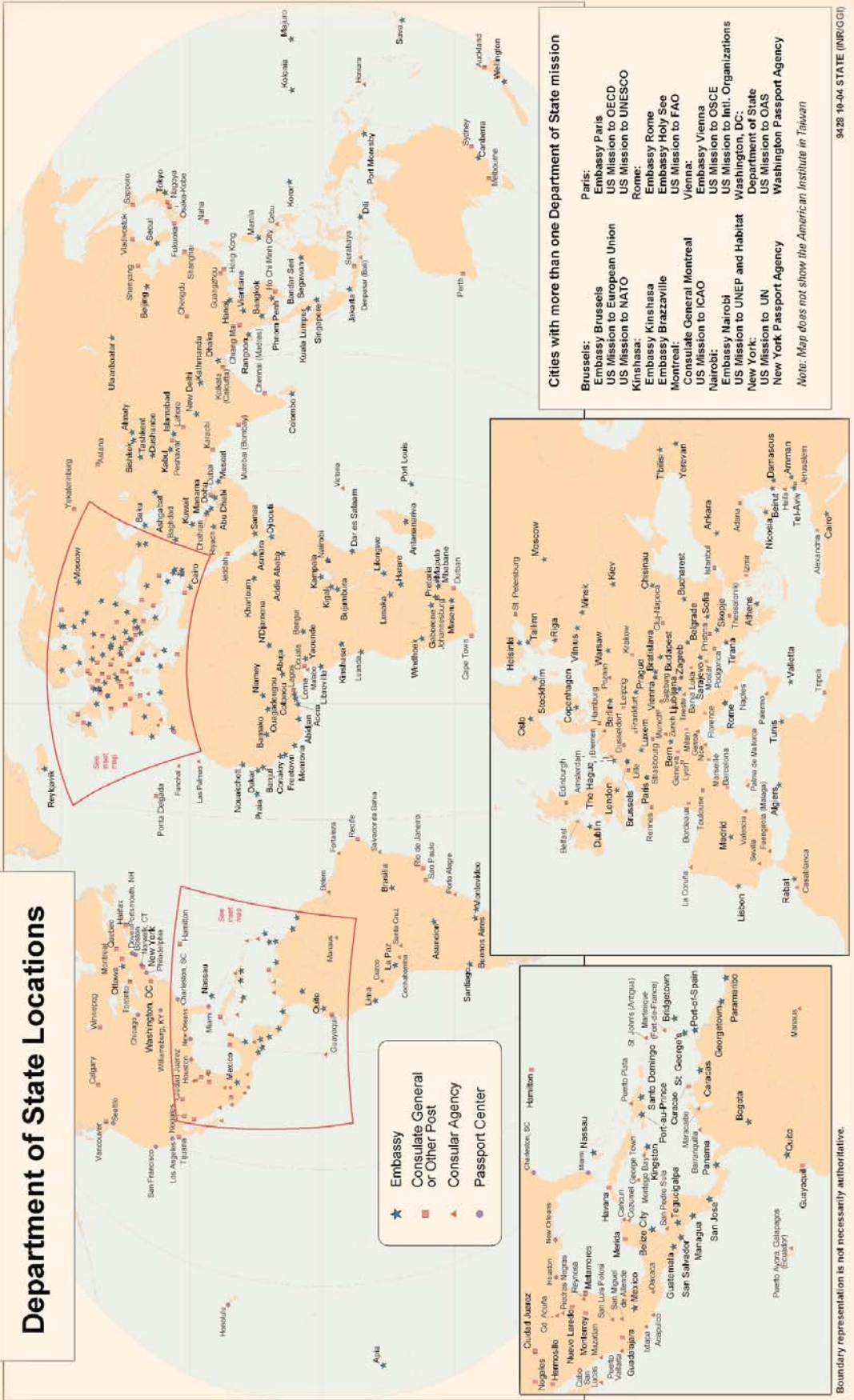
Other Senior Officials

- Chief of Staff – *Larry Wilkerson*
- Executive Secretariat – *Karl W. Hofmann*
- Office of Policy Planning – *Mitchell B. Reiss*
- Chief Financial Officer – *Christopher B. Burnham*
- Legal Adviser – *William H. Taft, IV*
- Inspector General – *Cameron R. Hume, Acting*
- Office of Civil Rights – *Barbara S. Pope*
- Bureau of Legislative Affairs – *Paul V. Kelly*
- Bureau of Intelligence and Research – *Thomas Fingar*
- Office of Protocol – *Donald B. Ensenat*
- Coordinator for Counterterrorism – *J. Cofer Black*
- Office of War Crimes Issues – *Pierre R. Prosper*
- Counselor – *Vacant*

UNITED STATES DEPARTMENT OF STATE

11/15/04

Secretary of State (S)

Deputy Secretary of State (D)

United States Representative to the United Nations (USUN)

United States Agency for International Development (USAID) Administrator

Executive Secretariat (S/ES) Executive Secretary

Chief of Staff (S/COS)

Under Secretary for Political Affairs (P)
- African Affairs (AF) Assistant Secretary
- East Asian and Pacific Affairs (EAP) Assistant Secretary
- European and Eurasian Affairs (EUR) Assistant Secretary
- South Asian Affairs (SA) Assistant Secretary
- Near Eastern Affairs (NEA) Assistant Secretary
- International Organizations (IO) Assistant Secretary
- Western Hemisphere Affairs (WHA) Assistant Secretary

Under Secretary for Economic, Business and Agricultural Affairs (E)
- Economic and Business Affairs (EB) Assistant Secretary

Under Secretary for Arms Control and International Security Affairs (T)
- Arms Control (AC) Assistant Secretary
- Nonproliferation (NP) Assistant Secretary
- Political/Military Affairs (PM) Assistant Secretary
- Verification and Compliance (VC) Assistant Secretary

Under Secretary for Public Diplomacy and Public Affairs (R)
- Educational and Cultural Affairs (ECA) Assistant Secretary
- Public Affairs (PA) Assistant Secretary
- International Information Programs (IIP) Coordinator

Under Secretary for Management (M)
- Consular Affairs (CA) Assistant Secretary
- Administration (A) Assistant Secretary
- Diplomatic Security (DS) Assistant Secretary
- Human Resources (HR) Director General of the Foreign Service and Director of Human Resources
- Information Resource Management (IRM) Chief Information Officer
- Overseas Buildings Operations (OBO) Director
- Foreign Service Institute (FSI) Director
- Medical Services (M/MED)
- Office of White House Liaison (M/WHL) Director

The Offices of Rightsizing (M/R), Management Policy (M/P) Director

Under Secretary for Global Affairs (G)
- Democracy, Human Rights & Labor (DRL) Assistant Secretary
- International Narcotics and Law Enforcement (INL) Assistant Secretary
- Oceans & International Environmental & Scientific Affairs (OES) Assistant Secretary
- Population, Refugees and Migration (PRM) Assistant Secretary

- Inspector General (OIG)
- Policy Planning Staff (S/P) Director
- Office of Civil Rights (S/OCR) Assistant Secretary
- Legal Adviser (L)
- Ambassador at Large for War Crimes Issues (S/WCI)
- Legislative Affairs (H) Assistant Secretary
- Intelligence and Research (INR) Assistant Secretary
- Resource Management (RM) Assistant Secretary & Chief Financial Officer
- Chief of Protocol (S/CPR) Ambassador
- Counterterrorism (S/CT) Coordinator and Ambassador at Large
- Coordinator for Reconstruction and Stabilization (S/CRS)
- Counselor (C)
- Global AIDS Coordinator (S/GAC)

Department of State Locations

Legend:
- ★ Embassy
- ■ Consulate General or Other Post
- ▲ Consular Agency
- ● Passport Center

Boundary representation is not necessarily authoritative.

Cities with more than one Department of State mission

Brussels:
Embassy Brussels
US Mission to European Union
US Mission to NATO

Kinshasa:
Embassy Kinshasa
Embassy Brazzaville

Montreal:
Consulate General Montreal
US Mission to ICAO

Nairobi:
Embassy Nairobi
US Mission to UNEP and Habitat

New York:
US Mission to UN
New York Passport Agency

Paris:
Embassy Paris
US Mission to OECD
US Mission to UNESCO

Rome:
Embassy Rome
Embassy Holy See
US Mission to FAO

Vienna:
Embassy Vienna
US Mission to OSCE
US Mission to Intl. Organizations

Washington, DC:
Department of State
US Mission to OAS
Washington Passport Agency

Note: Map does not show the American Institute in Taiwan

9428 10-04 STATE (INR/GGI)

MILESTONES OF AMERICAN DIPLOMACY

1778: Treaty of Alliance with France, engineered by Benjamin Franklin, enabled the fledgling republic to continue its struggle for independence.

1783: Treaty of Paris-Great Britain recognized American independence and control over western lands as far as the Mississippi.

1795: Jay's Treaty required Great Britain to remove troops from northwestern frontier; Pinckney's Treaty with Spain opened mouth of Mississippi River to U.S. navigation.

1803: Louisiana Purchase removed foreign control of Mississippi's mouth and doubled U.S. territory.

1819: Adams-Onis Treaty with Spain, transferring Florida, extended the U.S. to present boundaries in southeast.

1823: Monroe Doctrine established U.S. policy of opposing European intervention or new colonization in Western Hemisphere.

1842: Webster-Ashburton Treaty with Great Britain delimited northeastern U.S. (Maine) boundary.

1846: Oregon Treaty with Great Britain extended U.S. sole dominion to the Pacific.

1848: Treaty of Guadalupe-Hidalgo, ending 1846-48 war with Mexico, confirmed U.S. claim to Texas and completed U.S. expansion to Pacific.

1867: Alaska purchase ended Russian territorial presence and completed U.S. expansion on North American mainland.

1898: Treaty of Paris, at end of Spanish-American War, transferred to the United States Puerto Rico, Guam, and the Philippines, expanding U.S. power into the Pacific.

1918: Allies and Germany accepted Wilson's 14 points as basis for just and lasting peace ending World War I.

1945: U.S. and 50 other countries founded the United Nations.

1947: Truman Doctrine asserted U.S. policy of containing Soviet expansion through economic and military aid to threatened countries.

1947: Marshall plan of aid to Europe set foundation for economic cooperation among industrial democracies.

1948: Ninth International Conference of American States created the Organization of American States (OAS) to intensify U.S. and Latin American collaboration in all fields.

1948: NATO, first U.S. alliance concluded in peacetime, provided integrated force for defense of Western Europe and North America.

1963: Limited Nuclear Test Ban Treaty, first major-power agreement regulating atomic weapons testing, banned explosions in the atmosphere, in outer space and under water.

1967: Nonproliferation Treaty, now signed by 110 governments, banned the spread of atomic weapons.

1972: Strategic Arms Limitation Talks (SALT) agreements with U.S.S.R. prescribed mutual limitations on defensive and offensive weapons and established SALT as a continuing process.

1972: President Nixon's February visit to China followed Secretary Kissinger's earlier negotiations in Peking, marking first important step in the process of normalizing relations with the People's Republic of China.

1979: U.S. established diplomatic relations with the People's Republic of China ending 30 years of nonrecognition.

1979: Israel-Egypt Peace Treaty (Camp David Accords) ended 30 years of conflict between the two countries and provided possible framework for comprehensive peace in the Middle East.

1986: The U.S. Congress implemented strong economic sanctions against South Africa, which helped to bring an end to apartheid in 1991.

1989-1991: As President George H.W. Bush stated a desire to integrate the Soviet Union into the community of nations, the Cold War ended when communist regimes collapsed across Eastern Europe and the Soviet Union disintegrated.

1990-1991: In response to the Iraqi invasion of Kuwait, the United States built an international coalition to defend Saudi Arabia and, after United Nations approval, to eject Iraq from Kuwait through Operation Desert Storm.

1992: Representatives of more than 175 nations, including the United States, met at the Earth Summit in Rio de Janeiro, which produced a treaty on climate change and was the largest international meeting on the environment ever convened.

1994: The North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico took effect and the United States joined another structure that promoted global free trade, the World Trade Organization.

1995: The General Framework Agreement for Peace in Bosnia and Herzegovina ended the Bosnian civil war by providing for NATO troops to serve as peacekeepers.

2001: The United States led a global coalition that fought a war against terrorism in the wake of the September 11 terrorist attacks in New York and Washington D.C.

2003: After Iraq's repeated refusals to comply with UN resolutions, the United States led a coalition to depose the regime of Saddam Hussein.

PHOTO CAPTIONS

Inside Cover (top): *President Bush and Mexican President Vincente Fox shake hands prior to their bilateral meeting during the Special Summit of the Americas in Monterrey, Mexico. © AP/ Wide World Photos*

Inside Cover (second from top): *Secretary Powell celebrates Political Affairs Under Secretary Marc Grossman's 2004 Selection as a Career Ambassador at the State Department in Washington. Department of State Photo.*

Inside Cover (third from top): *President Bush celebrates NATO expansion with Prime Ministers from Latvia, Slovenia, Lithuania, Slovakia, Romania, Bulgaria, and Estonia during a ceremony on the South Lawn of the White House. © AP/ Wide World Photos*

Inside Cover (fourth from top): *Deputy Secretary of State Richard Armitage holds up a copy of the State Department's report on human rights and democracy. The report highlights the Department's worldwide efforts in the past year to promote human rights and democracy. © AP/ Wide World Photos*

Inside Cover (bottom): *Secretary of State Colin Powell welcomes Russia's Defense Minister Sergei Ivanov, right, during their meeting at the State Department in Washington. © AP/ Wide World Photos/J. Scott Applewhite*

PAGE 16: *The European Union's external affairs commissioner, Chris Patten, left, shares a light moment with U.S. Secretary of State, Colin Powell, during the International Donor's Conference for the reconstruction of Iraq in Madrid, Spain. © AP Wide World Photos/Paul White*

PAGE 17: *Fishing boats docked in Guangzhou, China. Multilateral cooperation, including through regional fishery management organizations, is essential to balance global demand for fish and fish products with a biologically sustainable harvest of wild fish. Department of State Photo*

PAGE 18: *Secretary of State Colin Powell greets one of the first Iraqi Fulbright Scholars at the State Department. The Fulbright program is sponsored by the State Department, Bureau of Educational and Cultural Affairs. © AP/Wide World Photos*

ACKNOWLEDGMENTS